Is Motivation Research getting anywhere?

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION FIFTY CENTS NOV. 30, 1957



Clark Equipment Co.'s Spatta (foreground) and Killebrew are driving into a rugged field with big new machines. (Management)

E B POWER GS BY
UNIVERSITY MICROFILMS
313 N 1ST ST
ANN ARBOR MICH C C



Loggers "weight-lifter" tests bearing stamina!

Tossing around logs 6 feet in diameter like toothpicks is no job for a softie! This machine has to be *built* for it right from the start—*right down to the bearings.* And that goes, too, for the trucks which haul these back-breaking giants over the most rugged terrain. ☆ Bower tapered and straight roller bearings have been *engineered* for just such work as this—to last longer, perform better under any road or load condition. Painstaking quality control plus basic bearing design refinements—like those shown at right—have reduced Bower bearing failure to a practical minimum. ☆ *Whatever* your product, if it uses bearings, specify Bower! There's a complete line of tapered, straight and journal roller bearings for every field of transportation and industry.

BOWER ROLLER BEARING DIVISION
FEDERAL-MOGUL-BOWER BEARINGS, INC. • DETROIT 14, MICHIGAN



ADVANCED SPHER-O-HONED DESIGN REDUCES WEAR

Spherically generated roll heads • Higher flange with larger two-zone contact • Larger oil groove • Honed races

SPHER-O-HONED

BOWER

ROLLER BEARINGS

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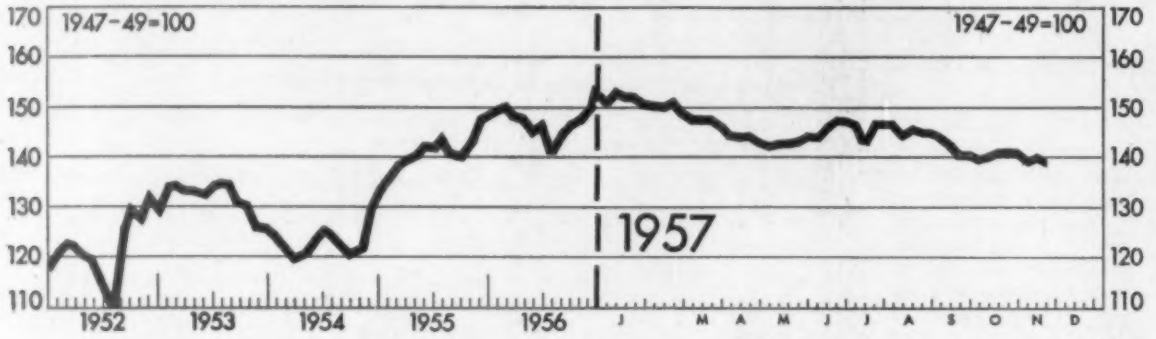
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NUMBER 1474

FIGURES OF THE WEEK

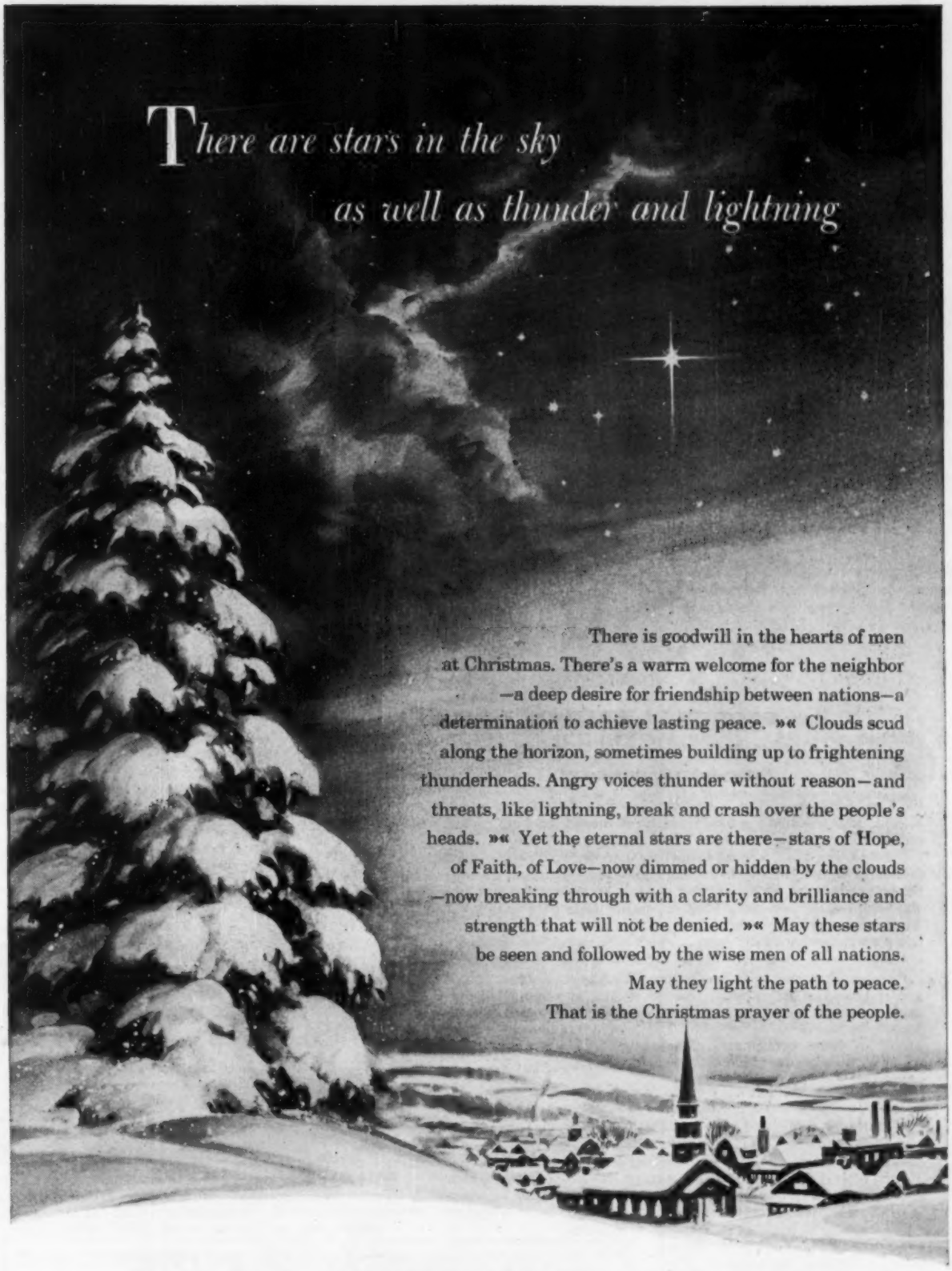


	1946 Average	Year Ago	Month Ago	Week Ago	§ Latest Week
BUSINESS WEEK INDEX (chart)	**91.6**	**150.6**	**141.7**	**†140.2**	***139.6**
PRODUCTION					
Steel ingot (thous. of tons)	1,281	2,489	2,041	†1,945	**1,884**
Automobiles and trucks	62,880	146,991	132,625	†173,382	**186,188**
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.)	$17,083	$62,981	$56,938	$53,213	**$53,561**
Electric power (millions of kilowatt-hours)	4,238	11,439	11,787	11,953	**12,136**
Crude oil and condensate (daily av., thous. of bbls.)	4,751	7,195	6,766	6,831	**††6,837**
Bituminous coal (daily av., thous. of tons)	1,745	1,781	1,638	1,567	**1,600**
Paperboard (tons)	167,269	260,253	294,159	290,265	**295,993**
TRADE					
Carloadings: miscellaneous and l.c.l. (daily av., thous. of cars)	82	72	68	65	**63**
Carloadings: all others (daily av., thous. of cars)	53	55	53	47	**45**
Department store sales index (1947-49 = 100, not seasonally adjusted)	90	151	†129	†135	**143**
Business failures (Dun & Bradstreet, number)	22	207	281	306	**308**
PRICES					
Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100)	311.9	435.0	385.5	386.6	**387.7**
Industrial raw materials, daily index (BLS, 1947-49 = 100)	††73.2	101.0	85.6	84.8	**84.4**
Foodstuffs, daily index (BLS, 1947-49 = 100)	††75.4	83.8	82.8	84.2	**84.2**
Print cloth (spot and nearby, yd.)	17.5¢	19.1¢	17.5¢	17.5¢	**17.7¢**
Finished steel, index (BLS, 1947-49 = 100)	††76.4	168.8	181.7	181.7	**181.7**
Scrap steel composite (Iron Age, ton)	$20.27	$64.33	$34.00	$32.67	**$32.33**
Copper (electrolytic, delivered price, E & MJ, lb.)	14.045¢	35.988¢	26.630¢	26.860¢	**N.A.**
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.)	$1.97	$2.36	$2.13	$2.21	**$2.21**
Cotton, daily price (middling, 1 in., 14 designated markets, lb.)	**30.56¢	33.19¢	33.71¢	34.55¢	**34.66¢**
Wool tops (Boston, lb.)	$1.51	$2.03	$2.00	$1.90	**$1.89**
FINANCE					
500 stocks composite, price index (S&P's, 1941-43 = 10)	17.08	44.84	40.69	39.92	**40.42**
Medium grade corporate bond yield (Baa issues, Moody's)	3.05%	4.29%	5.02%	5.09%	**5.09%**
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate)	¾-1%	3⅛%	4⅛%	4⅛%	**4-4⅛%**
BANKING (Millions of Dollars)					
Demand deposits adjusted, reporting member banks	††45,820	55,900	55,383	55,025	**N.A.**
Total loans and investments, reporting member banks	††71,916	86,431	86,539	86,103	**N.A.**
Commercial and agricultural loans, reporting member banks	††9,299	30,449	31,805	†31,836	**N.A.**
U. S. gov't guaranteed obligations held, reporting member banks	††49,879	26,254	25,270	24,785	**N.A.**
Total federal reserve credit outstanding	23,888	26,266	25,407	25,424	**25,489**

MONTHLY FIGURES OF THE WEEK		1946 Average	Year Ago	Month Ago	Latest Month
McGraw-Hill Indexes of New Orders (1950 = 100)					
New orders for machinery, except electrical (seasonally adjusted)	**October**	N.A.	144	154	**124**
Construction & mining machinery	**October**	N.A.	148	148	**130**
Engines & turbines	**October**	N.A.	134	165	**119**
Pumps & compressors	**October**	N.A.	208	139	**149**
Metalworking machinery	**October**	N.A.	164	127	**91**
Other industrial machinery	**October**	N.A.	125	134	**115**
Office equipment	**October**	N.A.	143	163	**137**
New contracts for industrial building	**October**	N.A.	205	157	**117**

* *Preliminary, week ended November 23, 1957.*
† *Revised.*
†† *Estimate.*
** *Ten designated markets, middling ⅛ in.*
N.A.—Not available.
§ *Date for 'Latest Week' on each series on request.*

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CHRISTMAS 1957 • BANKERS TRUST COMPANY, NEW YORK

Once more we reprint this now familiar prayer of ours, exactly as it was written ten years ago.



"Mrs. Stubbe's 39 pupils at rural Cassody School near Wausau can bring their saved-up pennies and nickels to school on weekly Stamp Days. I was impressed how the appointed 'bankers' collected the money—$11.76 that day—and then ordered the Savings Stamps. When the 'bank' closed, we drew pictures and talked about highway safety."

Wausau Story

by **GEORGE W. WALKER**

Vice President and Director of Styling

FORD MOTOR COMPANY

"When people hear I'm a stylist, they usually ask me what that means. Mrs. Stubbe's pupils thought it meant drawing pictures of automobiles and they decided I had a pretty easy job.

"Believe me, there's more to styling than drawing pictures. I know because I've had a hand in styling some three thousand or more different products of all kinds. Our work is to make products look the way users *wish* they could look, fill needs users *wish* they could fill. That means 'reading minds', interpreting trends, working with engineers and merchandising men . . . and then designing products that are more useful and more attractive and therefore, more desirable.

"And don't forget this: People have confidence in what you offer if you're proud of it yourself. Maybe styling is responsible for that pride . . . or, as I found out during my visit to Wausau, it might be something not quite so tangible. The people who live in Wausau are proud of their community. They should be. It's clean, bright, friendly . . . a happy place to live and to work."

Employers Mutuals appreciates Mr. Walker's visit to Wausau. Yes, we are proud of our community. Our Company was founded in Wausau—our home office is here—and it's also the inspiration for our way of working, everywhere we work.

Employers Mutuals, with 102 offices across the country, writes all lines of fire and casualty insurance. We are one of the largest in the field of workmen's compensation. For further information see your nearest representative (consult your telephone directory) or write us in Wausau, Wisconsin.



"Wausau Motor Parts Company is a 35-year-old manufacturer of piston rings, sealing rings, and valve seat inserts. I'm told this company is one of the oldest policyholders of Employers Mutuals. When George Landon, President of Wausau Motor Parts, showed me around the new plant, we watched Bob Klos check a piston ring. I appreciated seeing how these parts are made and inspected because they go into cars like the one I'd parked outside."



"Four wheels and a place to sit. That's all it takes to make my two young Wausau friends proud of their car. But in a few years they'll demand a car that has convenience, comfort, safety and the best styling on the American Road."

Employers Mutuals *of* Wausau



"Good people to do business with."

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READERS REPORT

Banks and S&Ls

Dear Sir:

There was an article under Personal Business [BW—Oct.19'57, p169] which I feel was most unfair to the savings and loan industry.

. . . With respect to savings and loan associations, you wrote "But as you are a shareholder rather than a depositor, S&L associations can require written notice before you can cash in your shares." This leads a person to think that with a commercial bank, where he is a depositor in a savings account, or with a mutual savings bank, where the saver has a creditor-owner relationship, that these banks can not require written notice for withdrawal of savings account funds. This is not true, since both the commercial banks and the savings banks can request written notice on savings accounts. . . .

T. FRANK SHEEHAN
BALTIMORE, MD.

• Reader Sheehan is quite right in saying that commercial and savings banks can also require their savings account depositor to give advance written notice before making withdrawals.

Dear Sir:

. . . We would like to compliment you and your fine staff on correctly differentiating between a commercial bank with deposits and a savings and loan association with shares. Many times publications incorrectly refer to "interest" paid by a savings and loan association rather than the correct terminology of dividends.

We are happy to see you people are aware of the differences between a commercial bank and a savings and loan association.

M. MARSHALL SHEILS
ASSISTANT VICE PRESIDENT
THE IDAHO FIRST NATIONAL BANK
BOISE, IDAHO

Anti-Federal Reserve

Dear Sir:

With reference to your editorial, The Crucial Moment [BW—Nov.2 '57,p204], may I comment that the Federal Reserve System, since its inception has contributed to every depression we have had, including the debacle of 1929.

How? Our economic system is so constituted today that whoever controls the credit of the nation controls its very existence. Now,

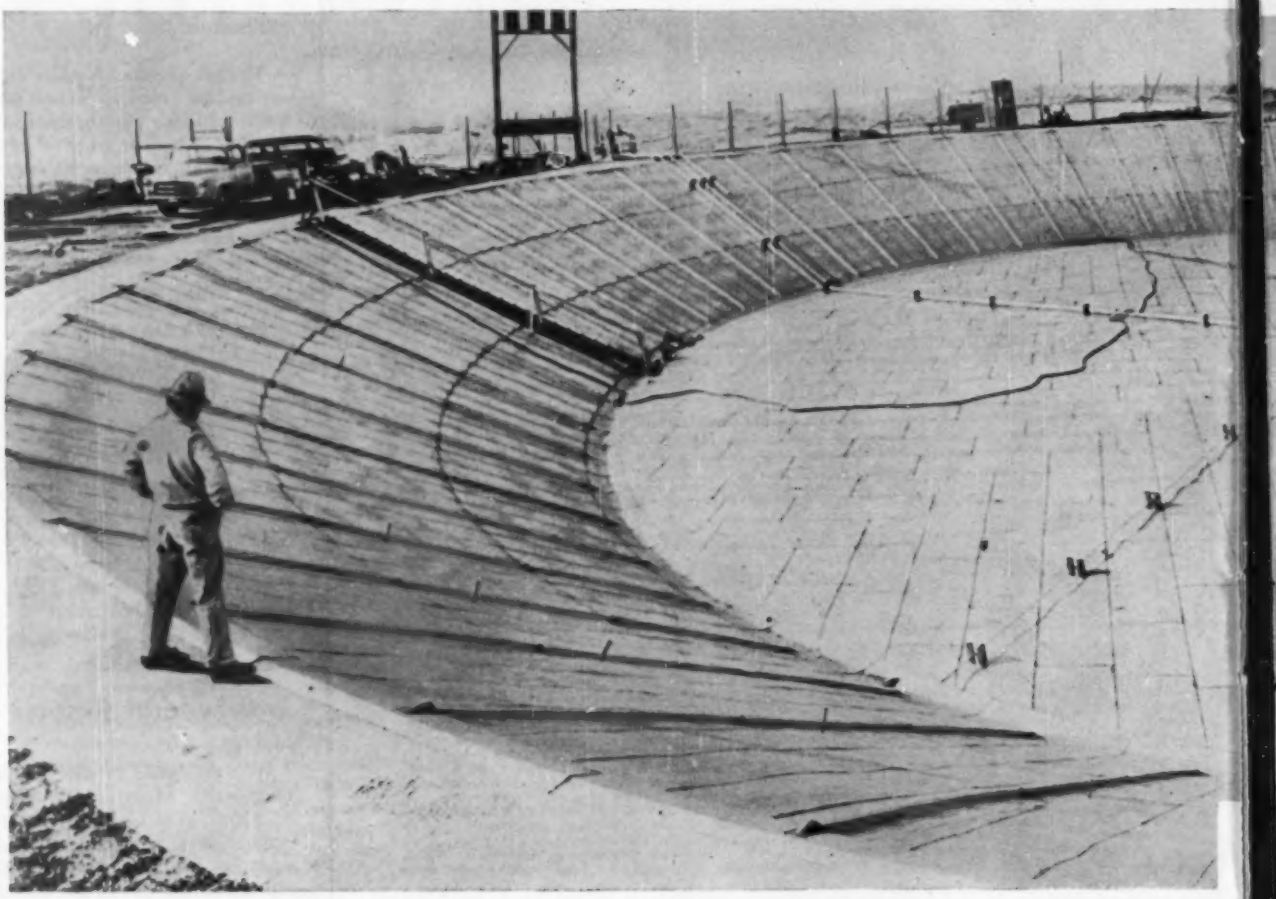
Only STEEL can do so many jobs



It's "Snowflake" Time. Any day now, your nearby appliance dealer will begin decorating his store with snowflakes to symbolize a wonderful idea in gift-giving for the lady in your life: "Make it a White Christmas—Give her a Major Appliance." Few gifts will do more to lighten labor and brighten her life.



Steel Christmas Trees. Aren't these lovely little Christmas trees? They're made from tin plate waste, recovered after a bottle cap manufacturer punched circular pieces out of the sheet. Even more interesting: the trees were made by the National Junior Achievement "Company of the Year," sponsored by U. S. Steel's Columbia-Geneva Division, San Francisco.



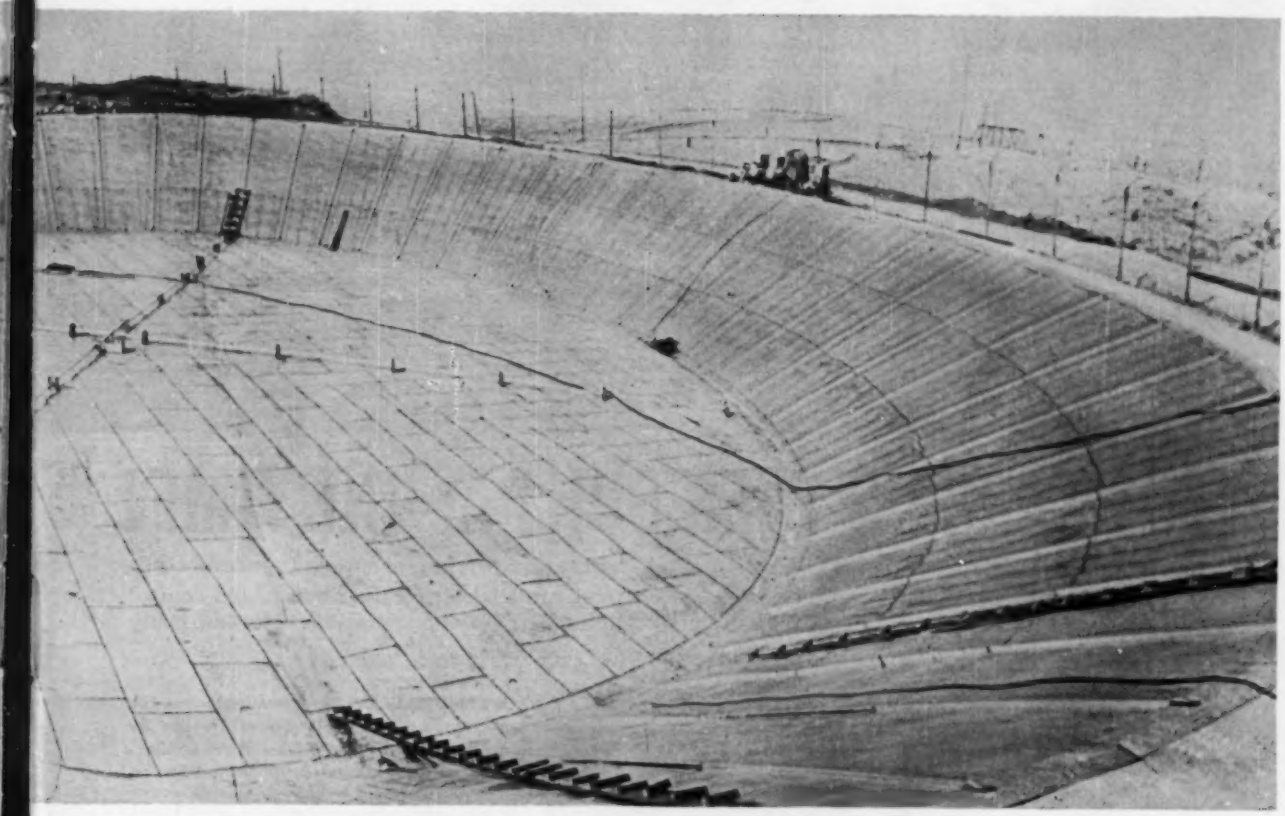
Two-Million-Gallon Stainless Steel Tank. A chemical company needed a tank to store ammonium nitrate, so they took an old concrete reservoir that hadn't been used for over 40 years and lined it with USS Stainless Steel sheets. Field crews of U. S. Steel's Consolidated Western Division handled the job, which required 3½ *miles* of lap-seam welds.

Watch the **United States Steel Hour** on TV every other Wednesday (10 p.m. Eastern time).

so well



Hot Dog! To the disgust of the pooch in the picture, the wiener-like objects are made from steel. They are oxygen tanks intended for submarines, and, because every inch of space is valuable, they are curved to fit the contour of the hull. U. S. Steel's National Tube Division made them.

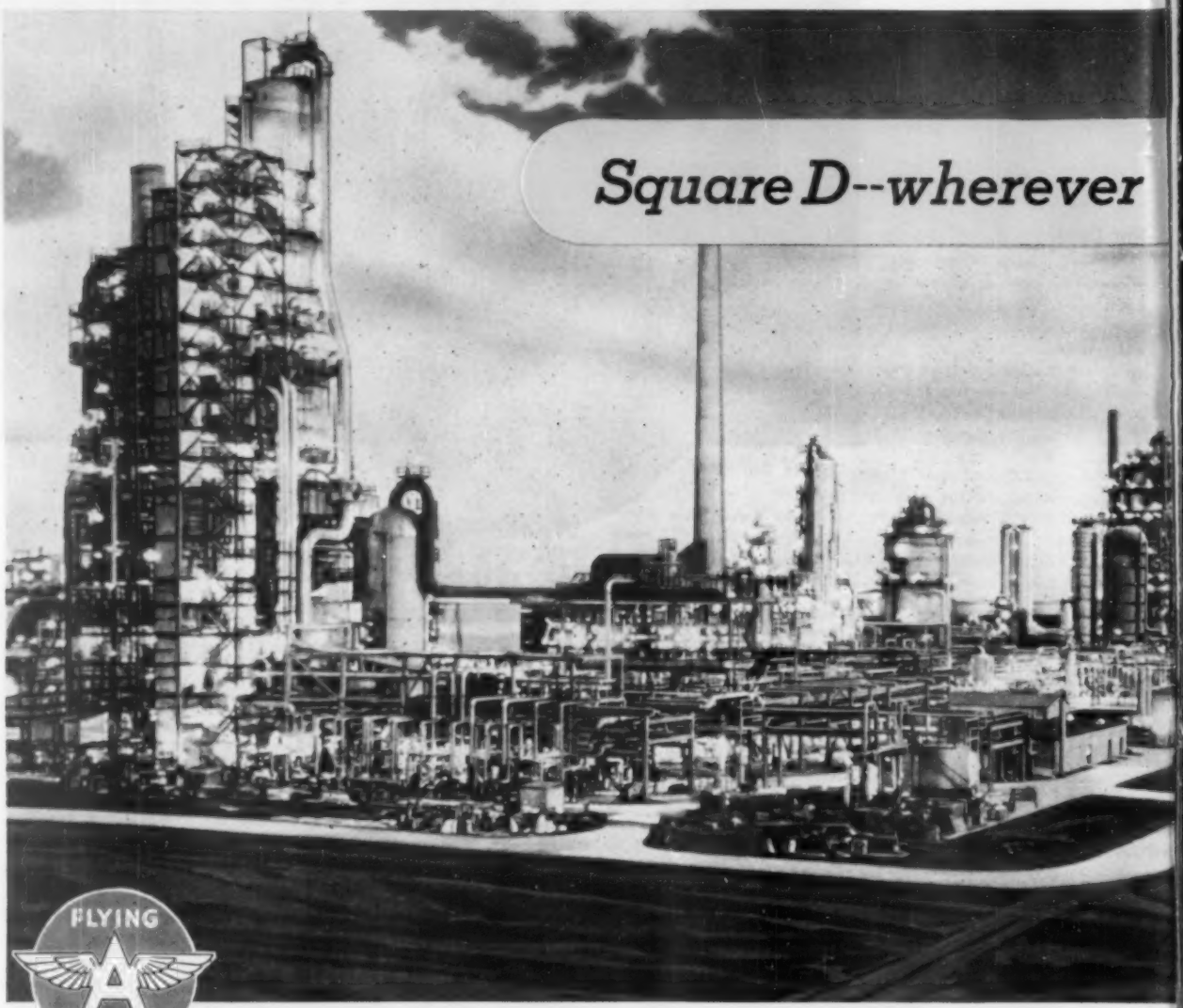


UNITED STATES STEEL

USS TRADE MARK

American Bridge . . . American Steel & Wire and Cyclone Fence . . . Columbia-Geneva Steel
Consolidated Western Steel . . . Gerrard Steel Strapping . . . National Tube . . . Oil Well Supply
Tennessee Coal & Iron . . . United States Steel Homes . . . United States Steel Products
United States Steel Supply . . . **Divisions of United States Steel Corporation, Pittsburgh**
Union Supply Company · United States Steel Export Company · Universal Atlas Cement Company

7-2635



LARGEST EVER BUILT AT ONE TIME!

Tidewater Oil Company's new Delaware Refinery has been aptly described as representing the most advanced thinking of refinery engineers and technologists.

Located on a seven-square-mile site near Wilmington, this gigantic, 200 million dollar installation has a processing capacity of 130,000 barrels of crude oil daily. It can produce enough over-100 octane gasoline, each day, for 41 million miles of motoring. Six of its eleven processing units are the largest of their types ever built.

Square D electrical distribution and control equipment plays an important part in many key operations of this "refinery of the future."

FIELD ENGINEERING SERVICE is available through more than one hundred Square D offices, backed by an international network of over 1000 authorized electrical distributors and 17 plants in the United States, Canada, Mexico and England.

Executive Offices • 6060 Rivard Street, Detroit 11, Michigan

EC&M HEAVY INDUSTRY ELECTRICAL EQUIPMENT...NOW A PART OF THE SQUARE D LINE

SQUARE D COMPANY

electricity is distributed and controlled



Square D Control Panel (*above*) is the heart of the CO_2 fire control system in the Testing Laboratory. In case of fire, exhaust fans are stopped and air-conditioning ducts blocked, automatically. Flow of explosive air to other areas is shut off instantly.





(*above*) You'll find **Square D Control Centers** strategically located in many spots. In the refining area they provide a portion of the centralized control of pumps and compressors. In the maintenance shop they control power, heating, ventilating and lighting.

(*at right*) Another **Square D Control Center**, located in the Employe Relations Building, provides pushbutton control of air-conditioning units and compressors. Infirmary X-Ray equipment and parking lot lighting also are remotely controlled from this Center.

A *Complete* LINE OF ELECTRICAL DISTRIBUTION AND CONTROL EQUIPMENT

SAFETY SWITCHES
CIRCUIT BREAKERS
SERVICE ENTRANCE EQUIPMENT
METER MOUNTINGS
LIGHTING AND POWER PANELBOARDS
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SWITCHGEAR & UNIT SUBSTATIONS
BUSWAYS & WIREWAYS
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VOLTAGE TESTERS
MOTOR STARTERS
RELAYS AND CONTACTORS
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CONTROL CENTERS
HIGH VOLTAGE CONTROL
SYNCHRONOUS MOTOR CONTROL
WELDER CONTROL
PRESS CONTROL
LAUNDRY CONTROL
ELECTRIC TRUCK CONTROL
TEXTILE MACHINE CONTROL
MACHINE TOOL CONTROL
STEEL MILL CONTROL
CRANE & HOIST CONTROL
RESISTORS
MAGNETIC BRAKES
LIFTING MAGNETS

We'd like to help you be sure you get home for the holidays!

Going home for the holidays? Wonderful! But you want to be *sure* of getting there . . . even in spite of bad weather. So remember—it takes a whale of a lot of weather to stop the trains. If you live along Great Northern's transcontinental routes between Chicago and Seattle-Portland, plan early to go home on the incomparable Empire Builder or the streamlined Western Star—and be sure of getting there on schedule. It's our greatest holiday pleasure to supply the smooth, comfortable ride, the fine meals, the snow-clad scenery—and we've plenty of space for all your precious packages!

you go great when you go GREAT NORTHERN



Reassuring thought for cold weather...

There are 351 billion tons of lignite in North Dakota

America's largest reserves of fossil fuel exist under the plains of North Dakota in the form of lignite—billions and billions of tons of it.

Not only does lignite furnish economical fuel for heating and power generation—it represents a tremendous potential in chemical processing.

For information about lignite's possibilities, write E. N. Duncan, Director, Industrial and Agricultural Development Dept., Great Northern Railway, St. Paul, Minnesota.



P. G. Holmes
Passenger Traffic Manager
St. Paul, Minnesota

Offices in principal cities of U.S. and Canada

GREAT NORTHERN RAILWAY

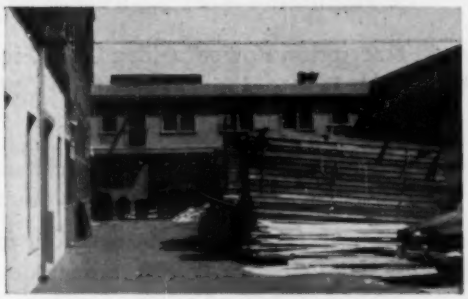
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FRANCIS D. COLEMAN
NEW YORK, N. Y.

Good Job

Dear Sir:

Re: Businessman in the State House—Gov. Luther Hodges [BW—Nov.2'57,p66], yours is the most factual and absorbing picture of current North Carolina that I have read anywhere anytime . . .

RAY ERWIN
EDITOR AND PUBLISHER
NEW YORK, N. Y.

Dear Sir:

. . . we were delighted to read the excellent article covering the operations of the W. A. Sheaffer Pen Co. of Australia [BW—Aug.31 '57,p127]. . . .

JOHN D. SHEAFFER
VICE-PRES., INTERNATIONAL OPERATIONS
W. A. SHEAFFER PEN CO.
FORT MADISON, IOWA

Wrong Order

Dear Sir:

In your interesting article Brazil's Oil Hopes Rest on U. S. Expert [BW—Sep.14'57,p82] there is a chronological mistake. The interim regime which followed Vargas' suicide (page 88 of your article) was that of Café Filho and not of Dutra, who was the first president-elect after the restoration of democracy in 1954.

W. N. MORETTO
RIO DE JANEIRO, BRAZIL

Weather Aye

Dear Sir:

Re: Doing Something About Weather [BW—Nov.9'57,p92] . . . I would like to congratulate you on a most interesting coverage . . .

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WEATHER TRENDS
NEW YORK, N. Y.



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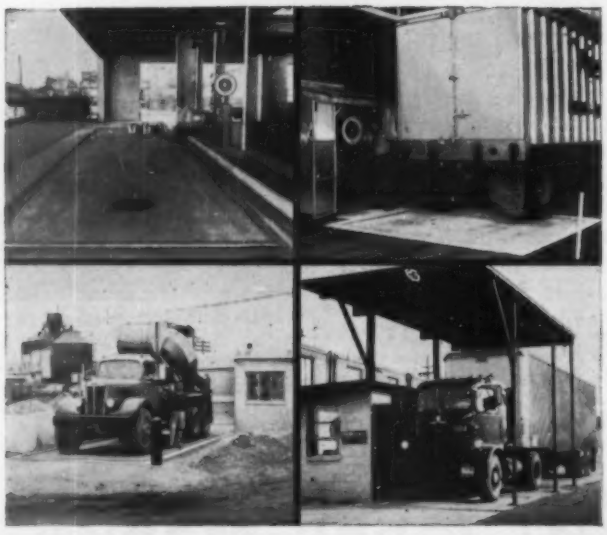
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Another example of

CHEMICAL PROGRESS

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General Electric has conducted chemical research on fused magnesium oxide for many years. G-E Calrod® heating elements were the first to employ the material as a safe, efficient insulation for high temperature units.

An extensive development and testing program has yielded a new grade of fused magnesium oxide that is able to increase greatly the service life of heating elements in electric frying pans, ranges and other appliances. Today atomic applications can also benefit from this continuing research by General Electric.

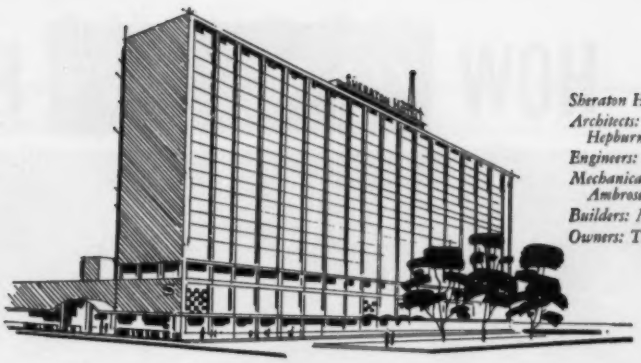
Your own investigation of G.E.'s new grade of fused magnesium oxide may bear profitable fruit in still other ceramic, electrical or electronic applications.

For information on G.E.'s fused magnesium oxide products, write Dept. CMD, CHEMICAL AND METALLURGICAL DIVISION, General Electric Company, Pittsfield, Mass.

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THE RIGHT atmosphere is a matter of immediate concern to business whether in a modern office building, factory or store—or in a hotel—such as the superb new Philadelphia Sheraton.

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Such an air conditioning system includes precision heating, ventilating and cooling—all under coordinated control. The best way to provide such a control is with a Honeywell *customized* installation designed to fit the specific needs of the building.

The new Sheraton is an outstanding example. In dining rooms and other public spaces, the Honeywell customized installation automatically keeps temperature and ventilation at proper comfort levels regardless of occupancy and the weather outdoors. In each guest room a Honeywell thermostat allows individual choice of temperature.

When you plan air conditioning for your business, do it right. Specify Honeywell customized control. For *only* Honeywell makes all three types of controls —pneumatic, electric and electronic—and therefore can impartially select the most efficient system for your building.

To learn more about customized control, call your architect, engineer or local Honeywell office. Or, write Honeywell, Dept. BW-11-260, Minneapolis 8, Minn.



Right atmosphere, twenty-four hours a day, is provided in the new Philadelphia Sheraton by quality air conditioning, custom controlled. In every room as in the suite shown here, a Honeywell thermostat permits guests to adjust room temperature to their own comfort level.

The Honeywell Round . . .
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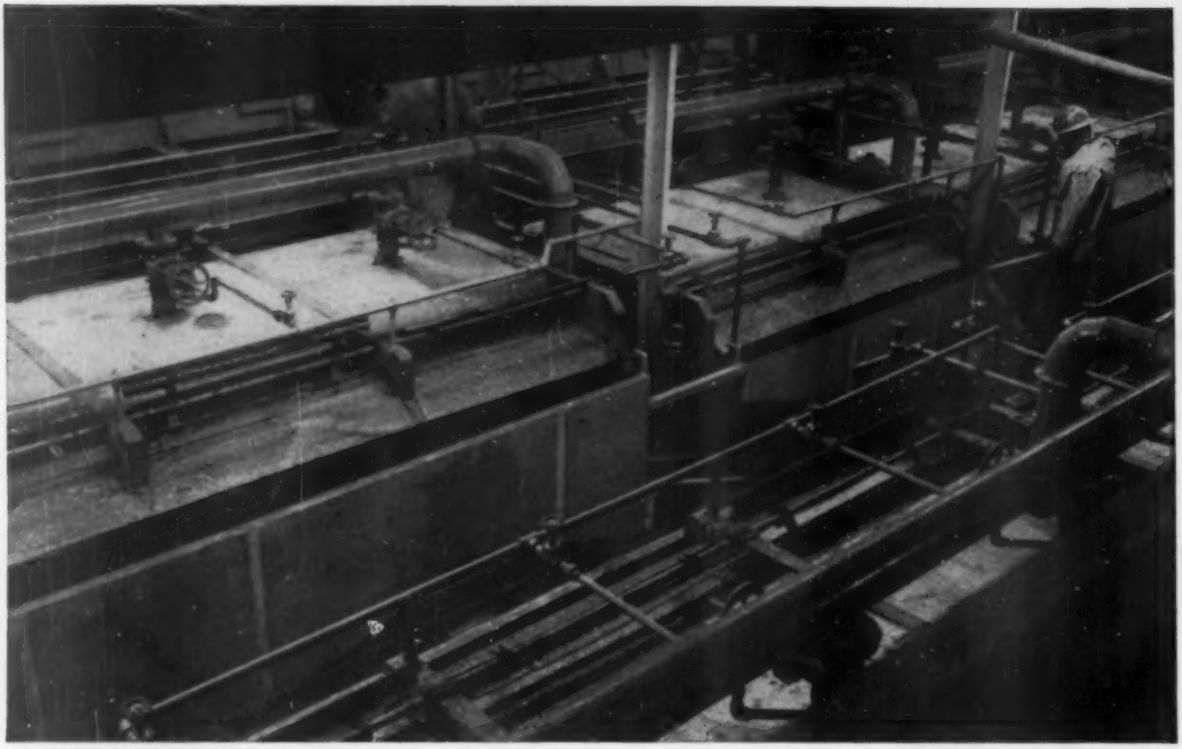


Guests always feel comfortable in this new Sheraton Hotel main dining salon. As in ballrooms, lobbies and other spaces of the Hotel, Honeywell controls automatically adjust heating, cooling and ventilation to the occupancy factor, no matter how quickly it changes.

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G57-10

BUSINESS OUTLOOK

BUSINESS WEEK

NOV. 30, 1957



Business, struggling against waning confidence, was plunged into new anxiety this week with word of the President's attack.

Hopes had been resting on a brisk Christmas season. The chances already seemed less than cheering, what with department store volume lagging last year ever since early September. And the Yuletide selling season is shortened by a week due to the late Thanksgiving.

As things stand, **most merchants will feel it a good omen if consumer buying as much as matches year-ago figures from now to Christmas.**

Industrial activity, nevertheless, won't get much of a lift from any surge in Christmas sales unless the buying spirit carries over into autos and other consumer hardgoods.

And even then, it'll be taken more as a sign for the future. The metal trades aren't looking for it to bring any immediate stimulus.

Metalworking, in fact, is where the trouble centers. And things are getting worse, not better, for the time being at least.

—•—

You don't have to look any further than **the capital goods market** to find the reason for the current sag in metals.

Cutbacks in new orders for capital goods and military procurement came together around mid-year. This was further complicated by **tight money,** which encouraged **inventory cutting.**

You get some idea of what happened by looking at machine tools.

Makers saw $10¾-million worth of orders canceled in June; shipments immediately dropped to the $60-million-a-month level where they have remained ever since.

But **the real trouble is in new orders.** These slumped to about $28-million in both September and October. The backlog dropped to 3.4 months' work as shipments outran new orders.

This kind of strain doesn't end there. **The slowdown in metalworking has a feed-back mechanism.**

Slackening metal activity means **less electric power** is needed. Thus, the rate of gain in electricity consumption is now down to little more than 3% over last year (compared to 5% and better earlier this year).

And in the Great Lakes district—an area with a high concentration of metalworking—electricity use is showing gains of less than 2%.

—•—

Industrial purchasing agents declare there is nothing in short supply at the present time. That's a high spot of the National Assn. of Purchasing Agents' end-of-November look at the markets.

They're talking, of course, mainly of raw materials and purchased parts. But their statement is a pretty good generality.

And this conditions buying attitudes: **Few price advances are in sight** (and some materials are easier), so there's **no pressure to buy.**

Even some finished goods pinches seem to have relaxed. **The structural**

steel people insist they've broken the bottleneck, and imports are putting finishing touches on shortages of **oil-country tubular goods.**

Drill pipe from abroad is being laid down along the Gulf Coast at prices that shade the quotations of domestic producers. This, along with reduced drilling for oil, brings an undertone of ease.

This may help account for U.S. Steel's cut of $1 to $4 a ton this week on the export base for standard seamless pipe.

—•—

Estimates of **this year's steel output,** made as recently as a month ago, already are beginning to look too optimistic (page 36).

Demand simply has failed to develop, even with the auto producers rapidly getting into full stride. Operations this week are scheduled to dip below 75% of capacity for the first time in 1957.

The gradual slide from above 82% at the beginning of the third quarter indicates 1957 output of about 113½-million tons. That would compare with 115.2-million last year and the record of 117-million in 1955.

Markets for steelmaking scrap suffer as mills curtail output.

Traditionally, the steel mills use scrap and pig iron in about equal proportions to charge open hearths when operations are booming. But they can choose the cheaper raw material when things are slack.

Mills used 19-million tons of scrap to 18½-million tons of pig iron in the first quarter. But, with operations sagging and scrap prices sky high, things switched. In the third quarter, they charged almost 17-million tons of pig iron to 15½-million tons of scrap.

And that's what started scrap prices into their tailspin.

Steel mills have gained a certain amount of flexibility in their operations through **expansion of blast furnace capacity.** There's been an addition of 13-million tons, or 18%, since 1952, bringing potential output of pig up almost to 87-million tons a year.

This rise for pig iron doesn't quite equal the 23% increase in steelmaking capacity, but it narrows the gap that scrap must fill.

—•—

Cotton textiles, where output has been limping ever since the middle of last year, seem finally to be **looking a bit healthier.**

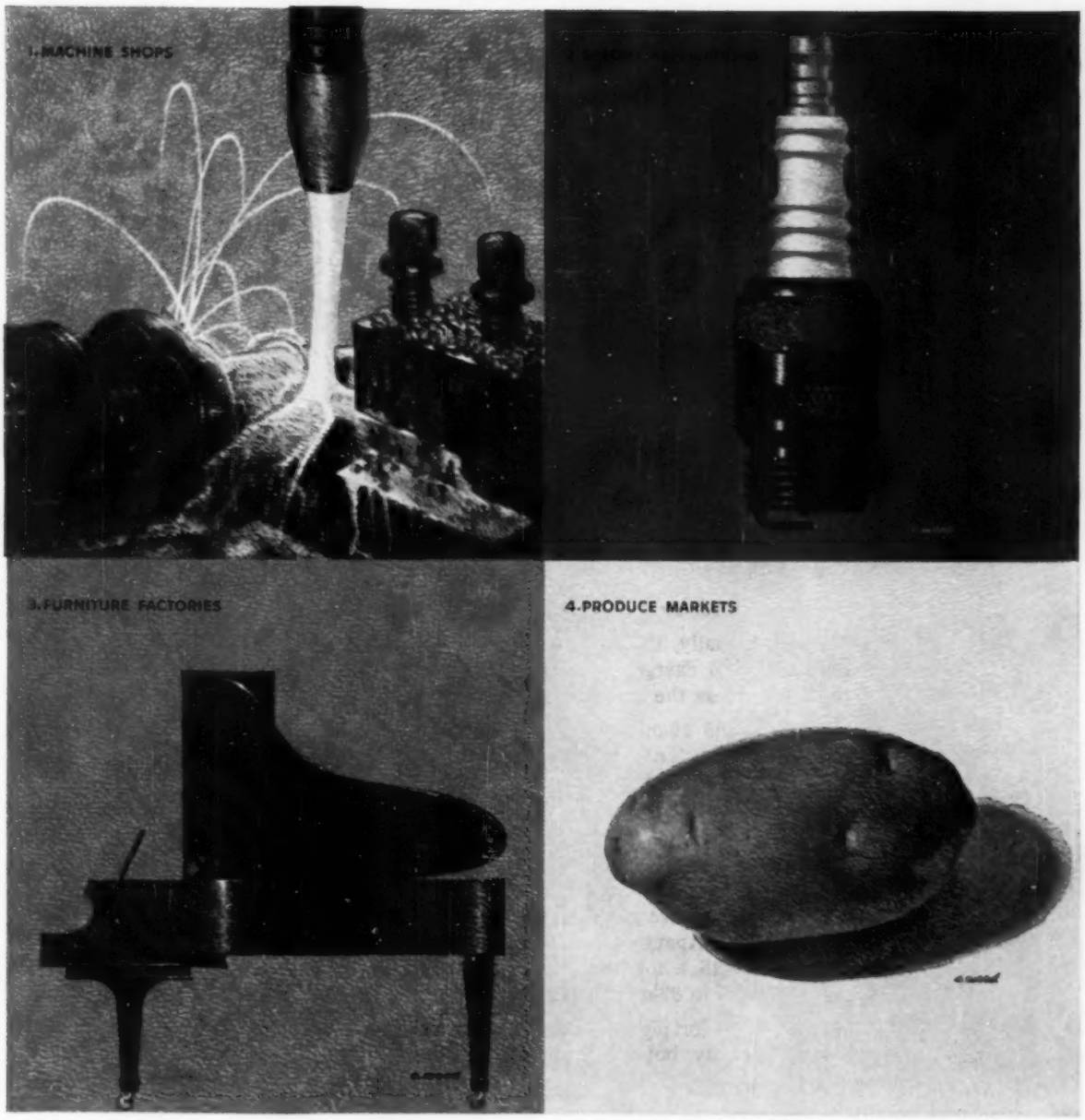
Demand has improved and **prices** are up a mite from recent lows. (Higher raw cotton prices are, of course, escalating mill costs.)

True, this didn't come about until many mills had announced plans for extended Thanksgiving and Christmas holidays. Yet it is taking place. And cloth buyers are a price-conscious lot; all they need to start them ordering is the merest hint that gray goods are headed higher.

Just how much textile output has been held down may be seen from the Census Bureau's figures on use of raw cotton. Consumption of the fiber in the United States this year will surely be the smallest since 1954—and probably won't even equal that recession year.

The low rate of cotton consumption has been due in part, of course, to the need for mills to work off topheavy inventories.

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3. ***Hand-rubbed wax finishes*** are the pride and joy of makers of fine furniture. This is why most leading manufacturers use Johnson's Wax furniture-finishing method to preserve the beauty and worth of their case goods.

4. ***Fruits and vegetables,*** from apples to zucchini, look better, keep longer and sell faster when protected with wax. Add eye-appeal and buy-appeal with odorless, tasteless, approved Johnson's Waxes.

These are but a few of hundreds of examples of how Johnson's Research is putting wax to work in industry. There may be a Johnson's Industrial Product that you can use profitably. Have your men check with your local Johnson's Wax office for further information, or write: **S. C. Johnson & Son, Inc., Industrial Products Division, Dept. BW-7, Racine, Wisconsin.**

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Isn't this common sense?

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Railroads are constantly making such improvements — and will make many more as rapidly as they are able to earn the money to pay for them. But the earning power of railroads today is restricted by outdated public policies that favor competing forms of transportation.

This unequal treatment causes the public to lose some of the benefits of railroad progress — progress as important to the nation as it is to the railroads.

In the interests of all of us, the railroads should be permitted equal opportunity to earn an adequate return on the money invested in them. Then everyone would benefit — including *you*. *Isn't this common sense?*



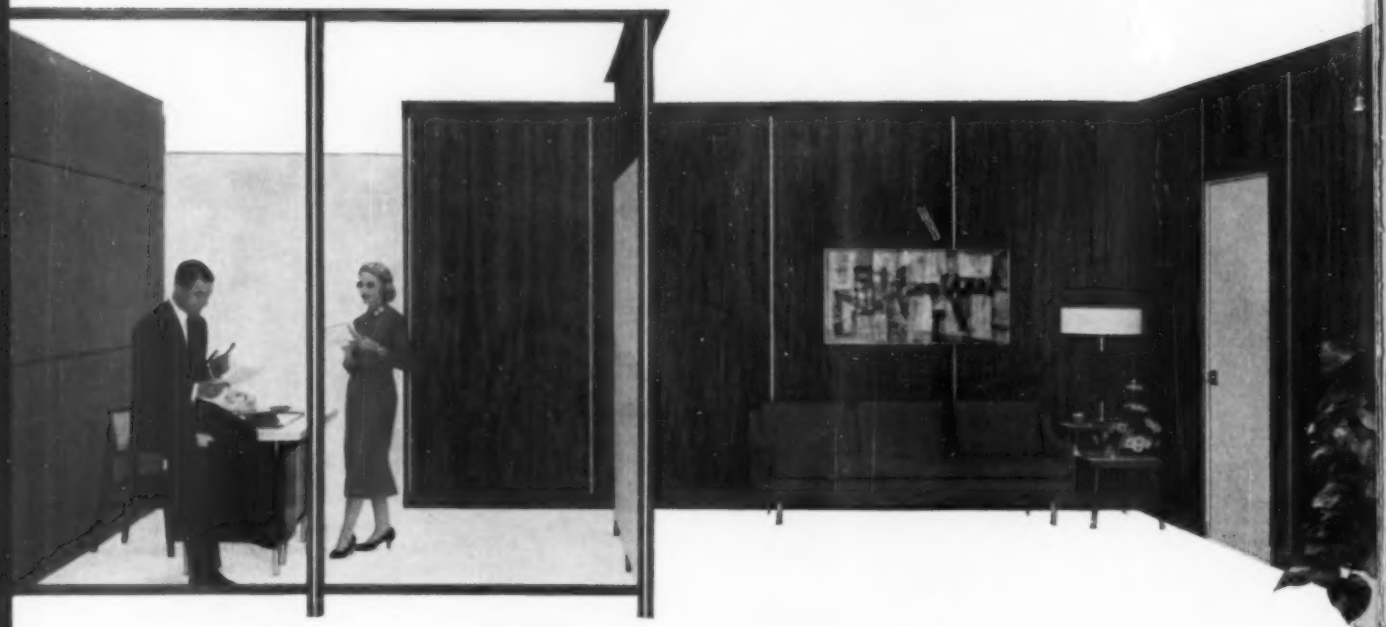
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BUSINESS WEEK

NOVEMBER 30, 1957

NUMBER 1474

Crisis in the White House

Pres. Eisenhower's new illness hits at a time when a long list of problems—from defense to the budget—demand decisions.

When Pres. Eisenhower went to Washington National Airport shortly before noon Monday to greet King Mohammed V of Morocco, reporters noticed that he seemed edgy.

It was a chilly 45F on a gray and gloomy day. There was a wait—no more than 15 minutes—for the plane bringing the King to the U. S. for a state visit, and during the interval, the President fidgeted with the lapels of his dark topcoat and shifted his weight from foot to foot.

Then, in his bubble-top Lincoln limousine, the President rode with the King from the airport to Blair House, the official guest residence. Eisenhower, 67, escorted the King, 48, up the front steps, turned back to his car, and rode across Pennsylvania Avenue to the White House. The time was 1 p.m.

In New York, the stock market closed strong. It was the fourth straight day that stock prices were up, and brokers spoke hopefully of a rally that might carry the Dow Jones industrials average above 450.



TO TELL THE WORLD: The "chill" finally explained, newsmen dash for phones.

I. Medical Crisis

Five hours and 20 minutes after the chief executive had re-entered the White House, Associate Press Secy. Anne Wheaton released the word that he had taken to bed with a chill. As a result, she said, he would not be able to attend the White House dinner for the visiting king. Vice-Pres. Richard Nixon was formal host in his stead, with Mrs. Eisenhower as hostess. An hour later, the President's Cleveland speech on foreign aid policy, set for Tuesday night, was canceled.

At the time, White House Press Secy. James Hagerty was in Paris to help lay plans for the mid-December NATO conference. During the night Monday, he was summoned home.

Mrs. Wheaton, a relative newcomer to the White House staff, filled in for him Tuesday. She showed up early, met with reporters shortly before 9 a.m., and announced a medical statement would be forthcoming before noon. At 9 a.m., Nixon and his closest Washington friend, William P. Rogers, new Attorney General, arrived at the White House.

At 10:30 a.m. came the news that "a further evaluation" of the President's illness would be necessary.

• **Not Quite as Usual**—Business went on, if not as usual, at least apace. Secy. of State John Foster Dulles subbed for Eisenhower at an early-morning White House welcome for King Mohammed. Dulles left at noon—without giving a hint of the President's health. Secy. of Defense Neil McElroy showed up during the afternoon to talk budget problems with Nixon and Sherman Adams, Eisenhower's No. 1 staff lieutenant. Commerce Secy. Sinclair Weeks appeared for "routine business" with White House subordinates. George V. Allen, new chief of the U. S. Information Agency, and Charles E. Wilson, former president of General Electric Co., attended a luncheon with Adams and others.

Wall Street was calm. Stock prices opened strong, with oil shares leading the market up. At 11 a.m., the Dow Jones industrial average topped 445—the highest since recovery began in late October.

• **Missing Bulletin**—By noon, Mrs. Wheaton was saying the medical bulletin would be ready at 1:30 p.m. It was not. Tensions mounted; wherever there was a news ticker, crowds began to gather. News organizations reinforced already beefed-up crews at the White House.

Rumors began spreading in Wall Street, and as they did, sell orders started to arrive. At 2 p.m., the stock averages were sagging. By 2:30, the

tape was running late and on the down side. Then it cleared, and prices began climbing again.

Then there was silence from the White House until 2:50 p.m., when the press office announced that the bulletin would be ready about 3 p.m. At 2:57 p.m., Mrs. Wheaton called newsmen in and began to read the bulletin.

• **The Diagnosis**—The bulletin's contents were electric: ". . . The President suffered an occlusion of a small branch of the middle cerebral artery on the left side. . . . It will require a period of rest and substantially decreased activity estimated at several weeks. . . . The outlook for complete recovery within a reasonable period of time is excellent."

The ensuing news conference was as wild as anything of its kind Washington has seen in recent years. Mrs. Wheaton, struggling to maintain her composure under a relentless barrage of questions and shouts, was led into saying erroneously, among other things, that Eisenhower had suffered a form of heart attack. Within minutes, that had been corrected.

The New York Stock Exchange heard the news in time for the last half hour of trading, and it was a hectic period. Brokers were swamped with sell orders; the tape ran as much as seven minutes behind. When the New York market closed, the Dow Jones average was down more than nine points.

By 4:45 p.m. in Washington, the gravity of the illness became more apparent. The White House announced that Eisenhower would not attend the Paris NATO conference on which so many decisions vital to the free world hinged.

• **Nixon's Reaction**—After 5 p.m., Nixon emerged from a side door of the White House into the evening gloom and ran smack into a sidewalk jam of reporters and photographers. With an estimated 60 newsmen besieging him, the Vice-President stayed calm as he replied to questions:

• No, he didn't know until Tuesday morning that the illness was so serious.

• Yes, he expected to spend more time than usual at the White House in the coming days.

• Yes, regular government activities "are going ahead as usual."

II. Constitutional Crisis

By Tuesday night, it was clear to everyone that once more the U.S. was facing the constitutional crisis that a President's incapacity always raises.

There is never a good time for a President to be sick. But late November, 1957, certainly is as crucial a time as any the Eisenhower Administration has ever faced. A broad array of grave decisions is in the making—from the problem of stepping up missile production to the U.S. business downturn and our relations with allies.

These issues won't wait while the nation drifts. By their very nature, they will force showdowns of some kind. The sweep of world events will make that certain.

• **Up to Nixon**—In this picture, Richard M. Nixon is a stabilizing factor that was not present during either of the President's two earlier illnesses.

When the President was stricken with a heart attack in September, 1955, Nixon was not the figure—at home or abroad—he is today. He presided at meetings of the Cabinet and the National Security Council. But White House Chief of Staff Sherman Adams pretty much ran the show.

When Eisenhower suffered ileitis in June, 1956, and went to the hospital for several weeks, he quickly picked up the routine of office himself, and there was scarcely an interruption in decision making.

This time, both in the White House and Congress, Nixon is accepted as a man who can keep the government functioning at the working level.

• **Stand-In**—In the White House, for example, Defense Secy. McElroy Tuesday reported to Nixon as well as to Adams when he kept an appointment that had originally been with Eisenhower for Monday—the day he went to bed with a "chill."

And in Congress, Sen. Styles Bridges (R-N.H.) almost immediately called on Nixon to take over some of Eisenhower's duties, including the meeting with Congressional leaders scheduled for Dec. 3 and 4. Bridges said Nixon could "show the country that the business of government is going on" in spite of the President's illness.

Nixon himself was quick to talk down his role. "In my view, if necessary, the President could make any major decision," he told reporters after spending a full day Tuesday in the White House.

• **First Steps**—The first decisions stemming from the Presidential illness were relatively simple. First the Cleveland "reassurance" speech was canceled. Then it was announced that Eisenhower would not go to the meeting of NATO heads of state in Paris Dec. 15 (page 34).

Other short-term questions are due for decisions:

• The budget. Usually, the final dollar figures of Administration proposals for hundreds of government programs are determined by mid-December.

• The missile program. New decisions become necessary almost daily. Although no announcement has been made, already the Air Force's Thor intermediate-range ballistic missile has been selected for quantity production. But a decision is pending on whether to order limited production of the Army's rival Jupiter IRBM as a backstopper.

• Money policy. The question of whether to ease credit as a stimulus for the lagging economy cannot be postponed. The Federal Reserve must complete its recent reduction of the discount rate in the four district banks that still have not gone along. It must also take market steps to increase the supply of credit. Otherwise, the psychological effect of this move will be largely wasted.

III. Defense Crisis

The defense program stands out as one of the Administration's most critical areas.

In the last two weeks, its defense plans have been drastically overhauled in the light of Sputnik. The policy of limiting military spending to $38-billion a year has been scrapped.

The new course downgrades the importance of a balanced budget. Instead, it stresses development of missiles and space weapons to such an extent that total defense expenditures now seem likely to rise at least $1-billion annually over the next few years.

• **Decisions Known . . .**—So the broad patterns of a revised defense program—short-range—have been pretty well established. At last week's National Security Council meeting (at which both Nixon and McElroy were present), major policy issues affecting next year's military budget were supposed to be resolved.

Some of the decisions are known. For instance, quantity production of the Thor IRBM will begin within 12 months, even though full testing is not yet complete.

• **. . . and Unknown**—But still unsettled are many details of the military budget for fiscal 1959 and longer-range defense plans. And although NSC gave McElroy a broad mandate on what to do, he still expected to turn regularly to the President for specific advice.

Now the freshman Secretary of Defense is more on his own. On his shoulders fall the immediate problems—how far to go in dispersing bomber bases, whether to order the Jupiter IRBM into production, and the like.

• **What of Killian?**—The role of the President's new adviser, James R. Killian, in the missile program is now more uncertain. Up to now, Pentagon brass has talked up the view that they—not a White House adviser—are running the show. Killian, touted by some as a "missile czar" when he was appointed three weeks ago, seems to be moving further away from actual missile development operations.

It is becoming clear that McElroy is his own "missile czar"—not Killian or

McElroy's missile assistant, William M. Holaday, (newly promoted to "missile director").

• **Looser Purse Strings**—It's an even better bet now that military spending will be freer. After Sputnik, Eisenhower decided to speed missile development, but slowly, and to set the course for substantially increased spending. At the same time, he emphasized the need for offsetting some of the increased cost by finding defense projects to trim—even though the defense budget was already sorely pinched. Nixon, on the other hand, has been on the side of more military spending from the start. And he was a strong mover in the Administration's eventual reversal on defense policy (BW—Nov.23'57,p52).

McElroy is in perfect accord with Nixon's attitude. And he shares Nixon's enthusiasm for research and the rapid and radical changes this might bring to defense operations.

• **Attentive to JCS**—Another change is that as a Pentagon newcomer, without a direct line to a soldier President, McElroy can be expected to turn more seriously to the professional military men for advice. In the atmosphere of continual budget cutting under former Secy. Wilson, the influence of the Joint Chiefs of Staff had diminished. In the new climate of increased spending, the Joint Chiefs could become more potent.

Meantime, McElroy has been giving every indication that he will be a strong civilian boss in the Pentagon. He has made important decisions firmly, mastered the intricacies of military bureaucracy in a hurry. As a result, he has a real opportunity to mold the defense program to his own ideas.

IV. Foreign Crisis

In foreign affairs, strong U.S. world leadership is more urgently needed now than at almost any time since World War II—for a paradoxical reason. U.S. leadership is being more seriously questioned than at any time in postwar history.

The President's illness confuses and delays U.S. reaction to the precariousness of its new world position. This won't be too serious if the period of uncertainty doesn't last too long. But the fact remains that major foreign policy questions that urgently demand answers are piling up, and any delay will hurt.

• **Initial Impact**—The first shock hits the upcoming NATO meeting, now expected to be far less fruitful than was hoped (page 34).

Beyond that, Secy. Dulles' stature as a negotiator with our allies—who are suddenly more important than ever—has been dwindling for months now.

Nixon's emergence as a factor in foreign policy—particularly foreign aid—is reassuring to Administration officials. Nixon has been gaining experience in foreign affairs since 1953. He has been a leader in shaping next year's foreign aid program and smoothing the road for it in Congress.

• **Answers Wanted**—The crucial foreign policy questions that must be answered in the next few months—besides the future of NATO—are these:

• How to halt the steady economic and political inroads of the Soviet Union into the Middle East. The USSR is probing for the West's oil arteries there, at the risk of touching off another military explosion.

• How much economic and military aid to seek from Congress next year for allies abroad—in particular, for India. If India goes bankrupt from trying to finance its second Five-Year Plan, it would be shaken politically and perhaps pushed toward Communism. France, too, can be expected to make a bid soon for $500-million or so in help from the U.S. and West Germany.

• Renewing the reciprocal trade program next year. This is the second major leg of U.S. foreign economic policy, and it faces a stiff fight in Congress. The Administration has decided to ask boldly for a five-year extension, instead of the three obtained last time, and probably for new authority to cut tariffs 25%. But it will take a strong lead from the White House to push this through.



SCIENTISTS paraded before the Senate preparedness subcommittee were headed by Dr. Edward Teller (at microphone) as . . .

Congress Starts Digging

Congressmen this week began seeking reasons for the U.S. lag in missiles. Their findings will guide action in 1958.

The nation's legislative leaders this week began fortifying themselves with fact and expert opinion for the coming session of Congress, when they must come to grips with an unpleasant reality—the Russian superiority in the new military weapons of the space age.

It is abundantly clear that the Congressional leaders have been as severely jolted as the Eisenhower Administration or the general public by Soviet military progress, as symbolized by Sputnik I and Sputnik II.

• **Probers**—Congressional leaders have begun digging to find out why we're lagging:

Senate Democratic Leader Lyndon B. Johnson, presiding over the Senate preparedness subcommittee, opened the

first full-dress, post-Sputnik inquiry into U. S. security and what the nation needs to do to catch up with Russia.

Two of the nation's most respected scientists, Dr. Edward Teller and Dr. Vannevar Bush, used the subcommittee as a forum to counsel against panic and confusion. They agreed that the damage from the missile lag is not irreparable if the nation now buckles down to catching up.

That task, they warned, involves more than a willingness to pay a high price for weapons production. It goes to a much deeper, more basic problem of attitudes, requiring: (1) willingness to risk huge sums in exploring the unknown, without certainty that there will be a return on investment, and (2) a comedown from the complacent view that theft of knowledge and ideas is behind the accomplishments of Russian scientists.

Rep. George Mahon (D-Tex.), probably the foremost Congressional expert on military spending, called on the Eisenhower Administration instantly to order into production both the Jupiter and Thor intermediate-range (1,500-mile) ballistic missiles.

Sen. Styles Bridges (R-N. H.), ranking GOP member of the Senate, reiterated a demand for appointment of a missile "czar" and his willingness to put an extra $1-billion to $2-billion into the effort.

Around the Capitol, few quibble about the cost of meeting the needs. What is happening this week is that the Johnsons and the Mahons are preparing their own appraisals of the needs, to be compared with the Administration's recommendations, which are due in January.

I. A Search for Causes

The first witness was Dr. Edward Teller, "father of the H-bomb," and director of the University of California radiation laboratory.

Teller's four hours in the witness chair produced this prescription for what Johnson said should be the nation's "greatest effort":

• First priority should be given to the Strategic Air Command, to make certain that it is dispersed well enough to prevent obliteration by a surprise attack and that it is strong enough to retaliate instantly.

• Development schedules for present missile projects should be accelerated, and other missiles developed.

• Research and spending on nuclear-powered submarines should be increased.

• Civil defense programs should be reappraised to provide shelters (they can be "easily and cheaply built") in which to ride out a "fire storm" nuclear attack.

• The gap between the U. S. and Russia in scientific education should be closed.

One of the recurring questions concerned the intercontinental ballistic missile, the so-called "ultimate weapon" of 5,000-mile range. The Soviet Sputniks lend weight to the Russians' claim that they have such a weapon, but both Bush and Teller said this isn't necessarily so. Both agreed, however, that if the Russians don't have the ICBM now, it is reasonable to assume that they soon will.

• **Little Support**—But if the politicians looked for partisan advantage in the words of the scientists, they found little sustenance. Teller gave the Republicans a glimmer of hope when he placed the beginning of the U. S. lag in the time immediately after World War II. Our attitude, he said, was that a missile—no good without a nuclear warhead—need not be treated as an urgent necessity until a workable warhead was in hand. The Russians gambled and won with precisely the opposite approach.

But neither Bush nor Teller attributed past faults to political motivation of any kind. The scientists made it plain that they felt shortcomings of attitude, no matter where they began, had no breaking point that could be identified with a change of national political power.

• **General Staff?**—Lt. Gen. James H. Doolittle, in a multiple role as military hero, industrialist (Shell Oil) and Presidential adviser, told the Johnson group he thinks the military is not equipped to make best use of the revolutionary weapons of the space era. Eventually, Doolittle said, he believes a U. S. general staff—operating above the three services—will be required. Bush foresaw the need for some similar super board on military planning and policy.

II. Missile Production

While Congressional leaders are investigating and talking, the Pentagon is beginning to move:

• The Defense Dept. laid plans to start volume production of at least one 1,500-mile intermediate-range ballistic missile within the next year. This means output will begin earlier, and in heavier quantity, than original plans called for.

• The Air Force is starting construction of a "missile site" near Cheyenne, Wyo., in about seven months at a cost of more than $65-million. This apparently counts on an ICBM being brought to operational status much earlier than under pre-Sputnik planning schedules.

• **Reversal**—On intermediate-range ballistic weapons, Rep. Mahon came out fuming about the Administration's indecision after his subcommittee took private testimony from Defense Secy. Neil McElroy.

Twenty-four hours later, in a reversal that he says was "advised," Mahon was talking differently. The services "certainly haven't fallen on their faces" and "are ready to go forward quickly" with IRBMs, he said. Mahon says he was told by responsible sources that the Pentagon would order development and production of both the Air Force Thor IRBM and the Army's rival, IRBM, Jupiter.

A week later, no such orders were announced. But Mahon, still hopeful, said it was a necessary step.

Both IRBMs have flown about three times each; the best estimates are that they have had about one successful launching for every two attempts. But Pentagon insiders say neither has flown completely outfitted as an operational weapon—that is, with the inertial guidance system and other major components in place.

III. How to Pay the Bills

Question No. 1 in the minds of Congressional leaders—as they prepare for the session that opens in January—is how much money will be required for the stepped-up missile program.

Two Congressional hearings have already dipped into the related problems of defense spending and the state of U. S. business.

• **Mills on the Economy**—Rep. Wilbur D. Mills' subcommittee of the Joint Economic Committee has been looking at the impact of federal spending in general on the economy.

The panel members—economists from universities and private business—have no firm ideas about how much spending will be requested by the Administration.

But most agree that any increase at all—even if it is no greater next year than $1-billion—will have a stimulating effect on business.

• **Patman on Small Business**—Rep. Wright Patman (D-Tex.) last week called key government officials to discuss the federal budget and the economic outlook as part of a hearing into the troubles of small business. One of the witnesses was Treasury Secy. Robert B. Anderson, who left the door open for requesting a rise in the present $275-billion debt limit. He expects to get by this fiscal year without a rise, barring unforseen developments.

Patman also led William McC. Martin, Jr., chairman of the Federal Reserve Board, into an analysis of the current business situation. Martin conceded that the Federal Reserve's recent action in lowering discount rates in some of the district banks was a sign that inflation "at the moment" is not the dominant factor.

New Auto Models Make a Poor Start

This year's new model cars are noticeably higher priced than last year's. A 1957 Chevrolet, for example, carried a price tag of between $2,120 and $2,360, not including freight. This year, in dealerships all over the country, the same car—a four-door sedan with eight-cylinder engine but no extra equipment—is priced around $150 more (chart, page 30). All other cars have increased in price, some more, some less than the Chevy.

What's more, dealers are getting most of the increase on the cars they sell. But that's the rub: They are not selling many cars. Last week, dealers throughout the country talking to BUSINESS WEEK reporters moaned about low sales during the introductory period of new models.

• **General Theme**—Says a Ford dealer in Boston, keynoting a strain heard across the country: "There's a general lack of public enthusiasm for cars this year. It's deeper than new design or lack of it, and it's deeper than the price rise. The economy in general is just not too healthy."

Some of the new models, however, seem to be moving fairly well—Chevrolet, in particular. And the highest-priced cars—Lincoln, Imperial, and Cadillac—are moving steadily, if not sensationally.

• **Buyers Are Resigned**—The dealers find one very bright ray in the situation. Those who do buy new cars seem resigned to higher prices. There is less quibbling over the higher prices. There are just as many prospects shopping prices from dealer to dealer as there were a year ago, but the dealers are surprised at the number of people who come in and buy without arguing too much about price.

"I haven't seen any jaws drop when I asked $100 more," says a Chicago Chevrolet dealer, "and I've been writing the orders, too."

A Ford man in Washington has the same story: "The word that the cost of living is steadying off seems to be convincing people that they can afford a little more for a new car."

Says another dealer: "I thought, about six years ago, it would be tough to sell a Chevrolet for more than $2,500. Now they don't seem to mind paying even $3,700 or $3,800."

• **Prospects Are Staying Home**—Many dealers interviewed last week commented on the seeming lack of price resistance. Yet, they reported poor sales. What is happening, apparently, is that the consumer is showing his price resistance by simply shunning the automobile showroom.

I. Where Are the Buyers?

In Boston, a dealer was asked whether people were balking at paying the $100 or more asked on the new Plymouths. "I dunno," he answered. "There hasn't been enough action to tell."

• **More Caution**—In Cincinnati, a Pontiac dealer put it a different way: "The public doesn't want to take on a heavy burden of debt right now. People aren't as reckless as they were in 1955. They're more cautious." He has company in that belief. "You have to have a lot of faith in the future to sign up for three years," says a Philadelphia dealer. "People don't have that kind of faith, not right now, anyway." It is general uncertainty, pines a Denver man. "People are not just real sure about the times."

There's hope in San Francisco that this atmosphere will pass. "Action has been pretty slow," a dealer admits. But optimistically, he adds: "Something like in late 1954 and early 1955 when things started slow, then really boomed."

• **The Figure That Counts**—Some dealers feel that while there may not be out-and-out price resistance, there is a disguised form of the same thing. The great majority of new car buyers have a car to trade and what they are primarily interested in is the difference between the allowance on their car and the new car price. Next to that, their concern is with how much they have to pay each month. And both of these figures are higher, causing many to debate the necessity of buying a new car.

An Atlanta dealer reports on this situation: "The customer is not too much concerned about the starting figure, just so the result is an amount he can swing. Of course, if that difference keeps creeping up, we're finally going to hit a real wall of resistance."

II. What's the Price?

A man walked into a Buick showroom in Houston last week, looked at the dealer's one and only Limited (which the dealer had hoped to keep for display for a few weeks) and asked the price. The prospect was quoted the full list—which should have scared him

The '58 Price Line-Up

A RECENT meeting of the board of directors of the National & Automobile Dealers Assn. discussed new car prices. "The time has come when nobody knows what an automobile will sell for," said one director. Another commented: "I'm for a widely publicized Advertised Delivered Price, but I want this price to reflect everything but the freight."

In effect, that's what the prices shown in the tables on the following pages do reflect — plus freight to selected cities.

Prices announced by the auto manufacturers are "suggested retail prices," which are not binding on dealers and are less than true retail prices. In reality, the manufacturers set only the wholesale prices they charge dealers. Anything above those prices is the dealers' own affair. Certain charges are not included in this suggested price that the dealer passes on to the customer:

- Federal excise tax.
- Factory handling charges (usually less than $50 a car).

In addition, it costs the dealer $35 or more to prepare a car for a customer — greasing, washing, adjustments.

These items added to the "suggested retail price" result in the Advertised Delivered Price.

Two other important items go into the price of a new car: transportation costs and state or local taxes. For the second year (BW — Dec. 15, '56, p 38), BUSINESS WEEK has sampled transportation and tax figures in five of the big auto markets as a guide to the maximum price a customer should start with when trying to calculate what a new car might cost. The figures in the table are estimates for a cash purchase of the basic car without optional equipment.

The taxes and transportation costs make it virtually impossible to purchase a new U. S.-built car with the popular extra equipment for less than $2,000. The demand for cars costing less is filled by a different automobile — either a "stripped" U. S. model or a small imported car. To give a broad picture of the range of car prices offered the U. S. buyer, a selection of imported cars is shown in a separate table.

THE CAR PRICE

UNDER $2,500

	STUDE-BAKER	RAMBLER	FORD	STUDE-BAKER	CHEV-ROLET	PLY-MOUTH	RAMBLER
PRICE — 4-door, V-8 sedans (INCLUDES FEDERAL TAX AND HANDLING CHARGES)	Scotsman 6 $1,874	Deluxe 6 $2,047	Custom 300 $2,246	Champion 6 $2,253	Delray $2,262	Plaza $2,277	Rebel Super $2,342
		Super 6 $2,212	Fairlane $2,399	Commander $2,378	Biscayne $2,397	Savoy $2,413	Rebel Custom $2,457
		Custom 6 $2,327					
EXTRAS — CHEAPEST RADIO	None	$82	$77	$61	$63	$73	$82
CHEAPEST HEATER	Standard	$76	$46	$71	$49	$69	$76
AUTOMATIC TRANSMISSION	None	$200	$180 and $197 A	$189	$188 and $231	$180 and $220	$220
POWER STEERING	None	$85	$69	$69	$70	$77	$85
POWER BRAKES	None	$38	$37	$38	$38	$38	$38
AIR SUSPENSION	None	None	$156 B	None	$124 C	None	None
APPROXIMATE TRANSPORTATION CHARGES WITH STATE AND LOCAL TAXES — NEW YORK	$150	$150	$145	$160	$140	$140	$165
CHICAGO	$80	$85	$125	$95	$120	$125	$90
LOS ANGELES	$220	$230	$230	$240	$230	$235	$240
HOUSTON	$155	$140	$135	$160	$135	$150	$160
ATLANTA	$160	$150	$155	$185	$160	$170	$155

$3,000 — $3,499

	DODGE	PONTIAC	DE SOTO	OLDS-MOBILE	CHRYSLER	MERCURY	BUICK
PRICE — 4-door, V-8 sedans (INCLUDES FEDERAL TAX AND HANDLING CHARGES)	Custom Royal $3,030	Star Chief $3,071	Fire Dome $3,085	Super 88 $3,112	Windsor $3,129	Montclair $3,236	Century $3,316
EXTRAS — CHEAPEST RADIO	$87	$95	$94	$102	$100	$100	$102
CHEAPEST HEATER	$84	$90	$89	$97	$93	$91	$102
AUTOMATIC TRANSMISSION	$220	$215	$220	$231	$220	Standard F	Standard
POWER STEERING	$92	$100	$106	$108	$107	$108	$108
POWER BRAKES	$38	$37	$39	$40	$40	$37	$40
AIR SUSPENSION	None	$175	None		None	•	$188
APPROXIMATE TRANSPORTATION CHARGES WITH STATE AND LOCAL TAXES — NEW YORK	$185	$185	$195	$200	$185	$175	$200
CHICAGO	$160	$155	$160	$145	$160	$165	$165
LOS ANGELES	$280	$290	$280	$305	$295	$315	$315
HOUSTON	$175	$145	$180	$185	$195	$180	$175
ATLANTA	$190	$205	$215	$210	$260	$210	$225

A Plus $59 for bigger engine.

B Available only on Fairlane with automatic transmission and extra cost engine.

C With V-8 only.

LINE-UP FOR 1958

$2,500 — $2,999

PLY-MOUTH	CHEV-ROLET	FORD	AMBAS-SADOR	EDSEL	PONTIAC	STUDE-BAKER	DODGE	BUICK	MERCURY	DE SOTO	OLDS-MOBILE
Belvedere $2,547	Bel Air $2,547	Fairlane 500 $2,551	Super $2,587	Ranger $2,592	Chieftain $2,638	President $2,639	Coronet $2,647	Special $2,700	Monterey $2,721	Firesweep $2,818	"88" $2,837
			Custom $2,732	Pacer $2,735	Super Chief $2,834		Royal $2,797				
$73	$63	$77	$99	$95	$95	$61	$87	$102	$100	$94	$102
$69	$49	$46	$83	$93	$90	$71	$84	$102	$91	$89	$97
$180 and $220	$188 and $231	$180 and $197	$230	$218 and $231	$215	$189	$180 and $220 E	$220 and $296	$226 and $245	$180	$231
$77	$70	$69	$90	$85	$100	$69	$92	$108	$108	$106	$108
$38	$38	$37	$40	$38	$37	$38	$38	$40	$37	$39	$40
None	$124	$156 D	None	*	$175	None	None	$188	*	None	$220
$145	$145	$150	$180	N.A.	$170	$180	$175	$180	$160	$170	$170
$130	$125	$130	$100	$145	$140	$105	$145	$145	$150	$150	$140
$240	$240	$235	$265	$270	$280	$250	$270	$290	$295	$275	$295
$150	$140	$140	$165	$165	$145	$175	$165	$170	$170	$160	$180
$175	$165	$155	$185	$180	$200	$195	$185	$205	$190	$210	$200

$3,500 — $4,299

EDSEL	DE SOTO	EDSEL	BUICK	CHRYSLER	OLDS-MOBILE	MERCURY
Corsair $3,425 G	Fire Flite $3,583	Citation $3,615 G	Super $3,789 G	Saratoga $3,818	"98" $3,824	Park Lane $3,944 G
				New Yorker $4,295		
$95	$94	$95	$102	$100	$102	$100
$93	$89	$93	$102	$93	$97	$91
$218 and $231	Standard	$218 and $231	Standard	Standard	Standard	Standard
$85	$106	$85	Standard	Standard	Standard	$108
$38	$39	$38	$40	$40	Standard	$37
*	None	*	$188	None	$220	*
N.A.	$210	N.A.	$220	$210	$220	$195
$170	$175	$180	$180	$180 and $195	$170	$190
$310	$305	$320	$335	$325 and $350	$335	$340
$180	$190	$185	$180	$210 and $225	$195	$190
$205	$230	$215	$240	$225 and $245	$235	$235

OVER $4,500

BUICK	CADILLAC	LINCOLN	IMPERIAL	CADILLAC
Roadmaster 75 $4,667 G	62 $4,891 G	Capri $4,891	$4,945	Extended Deck 62 $5,079 G
$102	$164	$175	$161	$164
$102	$129	$136	$141	$129
Standard	Standard	Standard	Standard	Standard
Standard	Standard	Standard	Standard	Standard
Standard	Standard	Standard	Standard	Standard
$188	$200	*	None	$200
$250	$250	N.A.	$255	$255
$210	$210	$220	$220	$215
$370	$385	$390	$380	$390
$185	$250	$200	$260	$250
$270	$280	$260	$260	$285

D Available only with automatic transmission.

E Coronet only.

F Add $19 for better transmission.

* Price not set.

G Available only as hardtop.

N.A. Unavail.

(Continued on page 32)

OVER $4,500

	BUICK	CADILLAC	LINCOLN	IMPERIAL	IMPERIAL	CONTI-NENTAL	CADILLAC	CADILLAC
PRICE — 4-door, V-8 sedans (INCLUDES FEDERAL TAX AND HANDLING CHARGES)	Limited $5,112 G	Sedan de Ville $5,497 G	Premiere $5,505	Crown $5,632	le Baron $5,968	Mark III $6,012	60 Special $6,232 G	El Dorado Brougham $13,074 G
EXTRAS — CHEAPEST RADIO	$102	$164	$175	$161	$161	$175	$164	Standard
CHEAPEST HEATER	$102	$129	$136	$141	$141	$136	$129	Standard
AUTOMATIC TRANSMISSION	Standard	Standard	Standard	Standard	Standard	Standard	Standard	Standard
POWER STEERING	Standard	Standard	Standard	Standard	Standard	Standard	Standard	Standard
POWER BRAKES	Standard	Standard	Standard	Standard	Standard	Standard	Standard	Standard
AIR SUSPENSION	$188	$200	*	None	None	*	$200	Standard
APPROXIMATE TRANSPORTATION CHARGES WITH STATE AND LOCAL TAXES — NEW YORK	$260	$275	N.A.	$280	$290	N.A.	$295	$500
CHICAGO	$220	$225	$240	$240	$250	$255	$250	$455
LOS ANGELES	$390	$410	$415	$410	$425	$435	$435	$720
HOUSTON	$200	$250	$210	$265	$270	$220	$255	N.A.
ATLANTA	$285	$295	$280	$280	$290	$295	$320	N.A.

A Plus $59 for bigger engine.
B Available only on Fairlane with automatic transmission and extra cost engine.
C With V-8 only.
D Available only with automatic transmission.
E Coronet only.
F Add $19 for better transmission.
G Available only as hardtop.
* Price not set.
N.A. Unavail.

IMPORTED CARS

$1,000—$2,400

	FIAT 600	VOLKS-WAGEN (2-DOOR)	SIMCA ARONDE	AUSTIN A-35	FORD PREFECT	METRO-POLITAN (HARD TOP)
PRICE IN: (INCLUDING FEDERAL AND LOCAL TAXES, TRANSPORTATION AND DEALER HANDLING CHARGES WHERE IMPOSED, FOR 4-DOOR SEDANS EXCEPT AS INDICATED) — NEW YORK	$1,337	$1,591	$1,643	$1,647	$1,688	$1,674
PITTSBURGH	$1,348	$1,595	Unavail.	$1,649	$1,770	$1,854
ATLANTA	Unavail.	$1,725	Unavail.	$1,643	$1,849	$2,009
CHICAGO	Unavail.	$1,689	Unavail.	$1,694	$1,752	Unavail.
ST. LOUIS	Unavail.	$1,673	$1,933	$1,729	$1,845	$1,989
HOUSTON	Unavail.	$1,715	Unavail.	Unavail.	$1,714	$1,691
LOS ANGELES	$1,383	$1,742	$1,765	Unavail.	$1,772	$1,961
EXTRAS: HEATER	Standard	Standard	Standard	Standard	$40	$69
CHEAPEST RADIO	$55	$65	—	$60	—	$62
CHARACTERISTICS: NO. PASSENGERS	4-5	4	4-5	4	4-5	2
WHEELBASE	6' 7"	7' 10"	8'	6' 7"	7' 3"	7' 1"
ENGINE LOCATION	Rear	Rear	Front	Front	Front	Front
NO. CYLINDERS & HP.	4 22 HP	4 36 HP	4 48 HP	4 34 HP	4 36 HP	4 47 HP
[1]Estimated fuel consumption at 30 m.p.h.—miles per gallon	49.5	41.2	37.5	49.9	32.9	33.3

1. DATA: "The Motor" except as indicated (converted to U. S. gallons)

off. But he whipped out his checkbook and paid. "Don't get those kind much more," the dealer says.

Certainly, few other dealers are getting that kind of customer. Even those dealers who report no price resistance are offering discounts from the full list price. These discounts—or in some cases over-allowances on trade-ins—seem to be no greater, and sometimes less, than a year ago. On the lower-priced cars, the discounts are around 10%. On medium-priced or high-priced cars, they range up to 15%, or about $500 or more.

• **Profit Margins**—Most dealers insist on preserving a better profit margin than in former years. So, even though many of them are absorbing part of the price increases and are discounting, they are still making slightly greater profit than last year—particularly Buick, Oldsmobile, and Chevrolet dealers. But all are worried about the year-by-year price increases.

A Cleveland dealer explains: "We are constantly being hammered by both manufacturers and customers. The manufacturers keep raising prices and the customers keep hammering at us to lower them."

• **Misplaced Worry?**—A Pittsburgh dealer, however, thinks maybe the dealer is more worried about them than the public. "The public gets mad over new car prices every year," he comments. "I haven't seen a happy customer in five years."

It depends a lot, of course, upon the size of the price increase. Oldsmobile put in one of the smallest price hikes in the industry, which accounts for the bland summation of the Milwaukee Olds dealer: "Last year we had such a terrific price increase on new cars that we faced a big resistance. But the 1958 prices are so little above those in 1957 that customer resistance hasn't been great. A variant of this argument was heard in other showrooms. "Customers have come to expect price increases."

• **Sales of Imports**—There's one class of dealers for whom sales are no problem, and quibbling over price is unthinkable—the imported car merchants. They all have order backlogs; their problem is getting cars, not selling them. They work on much narrower cost-to-selling price margins than do dealers in domestic cars. Consequently, they couldn't discount even if they wanted to. In addition, their factories insist that they sell at full retail. Many imported car dealers have their prices posted in the showroom. One imported car merchant admits his customers have one thing in common with buyers of domestic cars: "They shop around—but for a better delivery date, not a better price."

There is mixed opinion on whether the flood of imported car buyers is related to the price of U.S.-made cars. Many imported car merchants say the major buying motivation of their customers is low upkeep cost and low operating cost—not initial price. Many others echo the man in Seattle who says: "I jump with joy every time Detroit introduces a new model. A large segment of the market simply does not want 250 hp., a car 18 ft. long, 4,000 lb., or $4,000."

The one significant thing about the imported car business that is catching the eye of the dealer in domestic cars is the stabilized price. When BUSINESS WEEK reporters talked to dealers this year, they heard more grumbling than a year ago over the fact that no one could really tell the price of an automobile any more. The manufacturers announce one price, a dealer gives the prospect a completely different price—and the chances are that if the prospect does buy, he pays still another price.

• **Scaring Off Customers**—A man in Milwaukee argues this way: "The way they're pricing cars is ridiculous. They're sweeping business right back out the door. What we should do is go back to a factory-suggested price and let each dealer work out his prices on his own according to his own setup. The high list price frightens the customer. What we're trying to do is educate the customer into realizing that what actually goes out of his pocket is the difference between the list price and the trade-in value of his old car. But all some of them see is that high list price and they get scared off."

A dealer in Cleveland puts his finger on why the list prices seem so high: "There is no cheap car on the market today. The customer still sees Plymouth priced at $950 as it was in by-gone days. He doesn't know what a good deal is when he sees it."

• **Delayed Impact**—You hear this same kind of comment elsewhere. The impact of higher prices never hits the car owner until he actually goes out to buy. Says a Kansas City dealer:

"All things considered, the customer is paying from $200 to $250 more for Plymouth styles. That means $5 to $6 more a month on the payments, and a great mass of the middle class customers can't make it. You find that the man who has a 1954 or 1955 model and is trying to come back into the market this year is particularly appalled.

As Detroit is looking for the 1958 market to be saved by huge numbers of 1955 buyers, this dealer's comment is significant. And his view is shared by a Buick merchant in the same city: "The man with the 1955 model is finding the difference tremendous. By the time normal depreciation on his car is figured and he takes into consideration the price increase, he goes away talking to himself."

$1,000—$2,400

RENAULT DAUPHINE	HILLMAN MINX SPECIAL	MORRIS 1000	HILLMAN MINX	OPEL REKORD	VAUXHALL VICTOR	FIAT 500
$1,730	$1,746	$1,792	$1,904	$2,077	$2,017	New York Port of Entry Price May Be Under $1,000 When Available in January
$1,705	Unavail.	$1,790	$1,901	Unavail.	Unavail.	
$1,817	Unavail.	$1,849 2-Dr. Deluxe	Unavail.	Unavail.	Unavail.	
$1,808	Price Unavail.	$1,839 2-Dr. Deluxe	$2,060	$2,123	$2,083	
$1,831	$1830-1895	$1,831	$2,025	Price Unavail.	$2,137	
$1,826	$1,788	$1,913	Unavail.	$2,010	Unavail.	
$1,923	$1,944	$1,867 2-Dr. Deluxe	Unavail.	$2,374	$2,231	
Standard	$57	$50	$57	Standard	Standard	Standard
$56	$78	$60	$78	—	—	—
4-5	4-5	4-5	4-5	5	5	2-3
7' 5"	8'	7' 2"	8'	8' 4"	8' 2"	6'
Rear	Front	Front	Front	Front	Front	Rear
4 30 HP	4 51 HP	4 37 HP	4 51 HP	4 56 HP	4 55 HP	2 13 HP
46.2	34.5	31.2	35.8	Unavail.	32.9	52

NATO Meeting Loses Its Bloom

● **Pres. Eisenhower's illness raised doubts whether NATO would go ahead with its top-level meeting next month.**

● **The best guess: The Atlantic Alliance will gather in Paris without him to strengthen its bonds in the face of the Sputniks and Russia's missile lead.**

● **But with the President absent, much of the rallying force of the meeting will be dimmed.**

At midweek the State Dept. was passing the buck to the other NATO allies on whether or not to go through with the NATO "summit" meeting in Paris, Dec. 15, despite Pres. Eisenhower's illness. But most officials thought the meeting probably would be held on schedule without the President. It would be difficult to postpone or cancel at this late date. One official put it this way:

"A chief of state is a chief of the state no matter how big or little it is. He doesn't like to seem to be at the beck and call of anyone—even another chief of state. For the leaders of the 14 other NATO nations to cancel a formal meeting merely because one leader—even if he is President of the U.S.—could not attend, would be a reflection upon the status of the other members of the alliance."

The bloom certainly will be rubbed off the meeting, however, with Eisenhower absent—and it loses most of the rallying force Western statesmen have been counting on. It will lack psychological impact both inside and outside the alliance. Any U.S. delegate other than the President will lack the power to negotiate flexibly and to make independent decisions. This is particularly important at a meeting where there will be substantial differences of approach among the allies at the start; hence there will be a premium on flexible personal negotiation and a need for substantial compromises on all sides.

• **Time to Reappraise**—Not since the Marshall Plan was launched 10 years ago to save Western Europe from Communism has there been so much pressure on Washington for a basic reappraisal of U.S. foreign policy. This time Washington must try to maintain the Atlantic Alliance in the face of the Sputniks and Moscow's missile lead.

I. For Military Strength

The Administration is primarily interested in strengthening NATO militarily. Radical innovations in NATO's political and economic relations aren't being seriously considered now. Our principal NATO allies also are stressing the military side of things.

Washington has a number of ideas on how to strengthen NATO's military muscles. The most important are these:

• We will offer intermediate-range ballistic missiles to NATO allies that want them, and will at the same time seek missile bases for our own forces in Europe. Britain definitely is slated to get IRBMs in 1959, and other key allies will be offered some, too.

• We want to set up European stockpiles of nuclear weapons, including hydrogen warheads or missiles. These would be under U.S. control, though ready to be turned over to the allied forces in the case of war.

• U.S. officials are drafting plans for greater pooling of military knowhow, even for joint research projects within NATO. This might extend beyond the weapons field to peaceful uses of nuclear energy.

• **Favor Existing Setup**—As for tighter coordination of allied economic policies, Washington takes the view that this can be accomplished adequately through existing organizations such as the Organization for European Economic Cooperation, the International Monetary Fund, and GATT (General Agreement on Tariffs and Trade).

On the political side, the U.S. is unwilling to go beyond present NATO arrangements for consultation. Washington isn't ready for any system under which NATO policy consultations are mandatory before members can make important policy decisions.

II. Still Closer Harmony

The U.S. military proposals, which can be taken as Washington's bargaining position, aren't likely to satisfy our European allies.

The British, for example, would like to see military specialization pushed to the point where NATO members would forget about having balanced defense forces. Some countries would have naval forces, others air forces, and others only NATO contingents of ground forces.

• **French View**—The French apparently want to push military integration a long way, through joint production of weapons including missiles.

This project, which the French will probably present to the NATO conference, stems from Continental fears that the U.S. and Britain will restrict important integration measures to themselves.

• **How Much Pooling?**—In any case, real integration of advanced missile work within NATO depends on whether the U.S. agrees to supply nuclear warheads—something that still makes Washington hesitate. It also depends on Washington's ability to offer short-range missiles for immediate use of NATO forces along the East-West border in Europe.

When it comes to pooling NATO's scientific effort, London favors putting any pool inside the Organization for European Economic Cooperation rather than inside NATO. The British feel that this would be the best way to utilize scientific developments in Sweden and Switzerland, two countries that belong to OEEC but not to NATO.

III. Administrative Snags

Some of these European demands will create major problems for the Administration.

Although Pres. Eisenhower promised British Prime Minister Macmillan to seek revision of the Atomic Energy Act, the White House still hadn't decided how far it could go in pressing this delicate issue on Congress—and this decision now becomes more difficult. One idea is to ask Congress to permit only the sharing of nuclear information that there is reason to believe the Russians already know.

• **When, Where, If**—Even more ticklish for the U.S. will be the question of who is to decide when, where, and whether nuclear weapons are to be used. Secy. of State Dulles recently mentioned the idea of letting NATO field commanders make the decision. But London and Paris both feel that there must be some reference back to a political body.

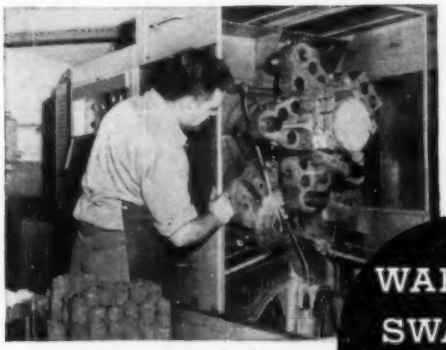
In some respects, though, Washington feels far more urgency about strengthening NATO than some of the Continental countries. The embarassment of some NATO members over the U.S. missile offer shows that they are still more afraid of atomic reprisals than of a Soviet offensive.

"As for what you're calling hard luck—
well, we made New England out of it"

AMERICA'S pioneers had no government subsidies to make profit easy; no guaranteed compensation to make thrift and hard scratching unnecessary; no Fifth Amendment to hide behind.

None of these. Just "hard luck" turned by self sacrifice and courage and hard grueling work into the foundation of a great nation.

And if we haven't got that same kind of fortitude today . . . if we try to depend on contracts instead of character, all the government pampering in the world won't save America from the destruction of inflation, weakness and defeat.



2AC Automatic Chucker machining pump parts.

WARNER & SWASEY
Cleveland
PRECISION MACHINERY SINCE 1880

YOU CAN PRODUCE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY MACHINE TOOLS, TEXTILE MACHINERY, CONSTRUCTION MACHINERY

No Gain in Sight for Steel

In fact, both net earnings and the operating rate are due to slant down in early 1958. Customers are still living on inventory, yet steel capacity keeps growing.

In Pittsburgh this week, steel industry sophisticates chuckled over this pointed wisecrack:

"After months of worrying that the auto industry would negotiate a four-day week next spring, the steel business suddenly couldn't care less. It's got a four-day week right now."

Like most good wisecracks, that's a little exaggerated. But it's also indicative. For example:

• Earliest returns in a United Steelworkers survey indicate that about one man in five is working a regularly scheduled week of less than 40 hours.

• While there isn't much data to define how extensively that is being done, it's plain that steel is laying people off. In Pittsburgh's four-county labor market, for example, employment in primary metals has been sagging a little all year. Last month it dropped by 2,500, bringing it down a total of 5.5% from its December, 1956, level. And Pittsburgh's steel melting rate has been holding equal to or better than most other districts.

• **No Late Spurt**—It was a long month ago that steelmen bit the bullet and conceded that there wasn't going to be any fourth-quarter boom to establish a new ingot tonnage record. Now the estimates for 1958 are coming in.

The first two, by Republic Steel's F. R. Widmer and U. S. Steel's B. E. Estes, both call for 109-million ingot tons in 1958, down 5% from the 1956 results. But the two predictions differ considerably as to the amount of inventory drawdown still facing the steel industry next year.

The important fact there is that both men anticipate that again in 1958, as in 1957, there will be more steel used than produced. Not even the most sanguine steelmaker can look for any marked improvement in business while customers live on inventory fat—and they'll be doing that at least through the first quarter.

• **Slowing Down**—Meanwhile, 1957 ingot production was leaking badly at the seams as the year entered its final month. For the first 10 months, steel had an all-time record ingot production of 96,901,792 tons—600,000 tons higher than even 1955's 10-month output. Steel ran at 81.1% of capacity for the 10 months this year.

In November, though, production went off. If it met its scheduled rate for this week, the industry produced no more than 8.7-million tons in November. That would be slightly under 74% of capacity.

If you schedule it at 70% for three and a half weeks in December, and only fractionally below that in Christmas week, December output would be 7.6-million tons. That would give 1957 a total of 113.2-million ingot tons, a solid third-best year but far from the record 117-million tons for 1955. It's also a disappointing tumble from the 115-million ton figure to which the trade retreated some weeks ago when it became apparent that 1957 wasn't even going to be a second-best year, let alone surpass 1955.

For the first quarter, you can expect production to be up a little—but probably only a little, unless there's a real flurry in autos. Between 27.5-million and 30-million tons for the quarter may be conservative, but it won't be far wrong.

• **New Capacity Figures**—It's probably true that the highest-ranking steelmakers aren't terribly upset by all this. Certainly they give no evidence of panic. They wish they could see a little more clearly just when and where the upturn will come. And they're a little edgy about how the industry's statistical showing will be slipping a month hence, when the 1958 capacity figures are announced. On 1958 capacity, even if weekly production should be higher in ingot tons than in late December weeks, the weekly operating rate will be even lower.

What the new capacity figures will show is anybody's guess. Minimum, it'll be 138.5-million tons, up 5-million from 1957. Maximum, it could be 141-million. For U. S. Steel, Estes is predicting that it won't be under 140-million annual ingot tons. And if it achieves that, the steel industry will have accomplished 76% of its three-year, 15-million ingot ton expansion in two years—one of which was plagued by a 35-day strike. That would leave at least 3.5-million annual ingot tons of capacity still to be added in 1958, a year when additional steel capacity is going to be needed as a dog needs fleas.

• **Profits Shrink**—The very heavy industry construction program is a key to what really worries steelmakers these days—declining earnings. Increasingly, in 1957, the steel industry has been one where more and more money flowed into the cash drawer while less and less stayed there.

For example, consider the operating results of 14 companies, large and small, carbon and specialty producers:

• Twelve of the 14 showed higher sales for the first three quarters of 1957 than for the comparable period of 1956.

• Only eight showed higher earnings.

• Predictably, since there was no strike this year, the group showed a higher percentage of profit on sales for 1957's first nine months.

• It also showed increasingly smaller profits each quarter this year—dropping 14% while sales were dropping only 11%. In the third quarter, the group's profitability was just barely ahead of the average for the first nine months of 1956, strike and all. And profitability isn't improving this quarter as it was a year ago.

• **Worse to Come**—All this, if the steelmasters begin to mean what they've been saying, is going to bring some determined belt-tightening in the steel industry's general offices. For industry leaders not only have been talking about improving profits—quite a few have been working hard at it, and spending prodigious sums to achieve it. The industry's response to the Kefauver attack on higher steel prices rested on the claim that earnings were too low. Yet here they are headed lower.

Nor is any marked improvement in sight, since:

• On Jan. 1, unless the cost-of-living turns out to have dropped this month, steel's direct wage costs will go up another 4¢ an hour.

• For at least one more quarter, there'll be inventory-cutting that stands in the way of a rise in production.

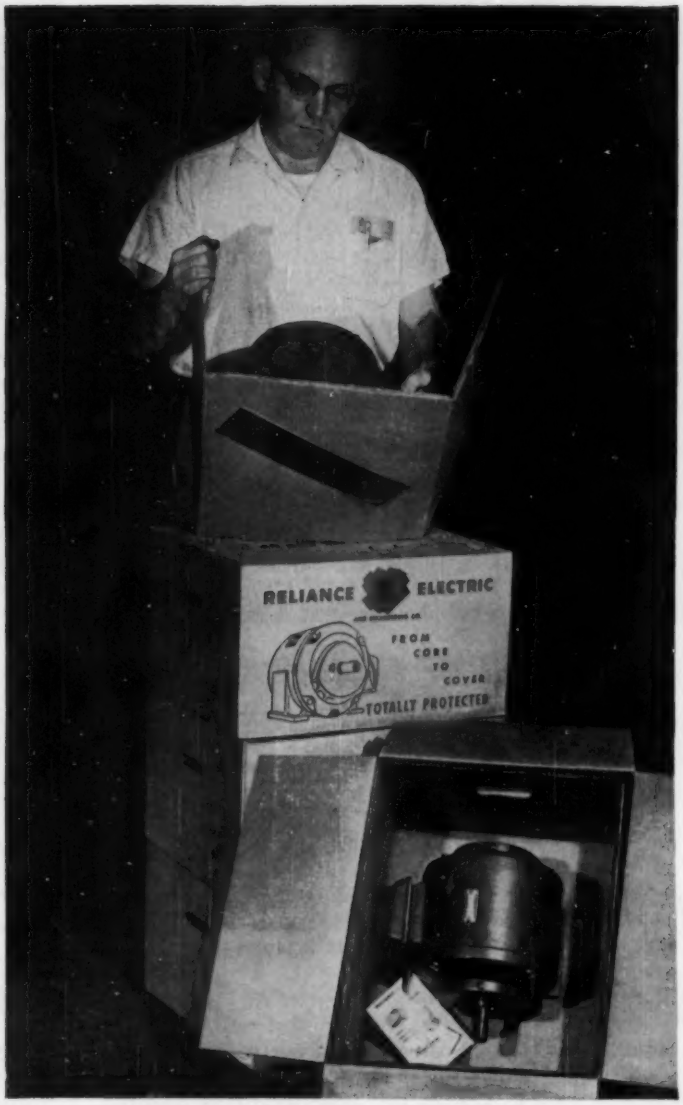
• Construction expenditures will remain high.

• **Turn of Tide**—Late next year, if the expected upturn takes place, you can see a far happier prospect for steel earnings. The construction budgets will be pretty well spent, and the bulk of the plant they represent will be operating efficiently. The inventory drawdown will be over, and a buildup will lie immediately ahead. The heavy accelerated amortization charges will be gone from the steel industry's books.

All these things can't help but flush out earnings. Until then, however, earnings will come hard. So if belt-tightening will help, it will be practiced. At least one producer has already ordered an immediate across-the-board cut in expenses. Another concedes that 1958 budgets are being cut. You can't find any signs of general, industrywide expense-slashing. But you can turn up plenty of steel people who wonder just how soon that sort of thing is going to start.



OLD WAY: Good but expensive.



NEW WAY: Far better—and less expensive.

Saves 50% cost by switching to CORRUGATED boxes —improves protection, gets brand name display

Making quality electric motors, like many another product, requires close attention to many details. Sometimes a possible packaging economy can be overlooked.

It happened in the case of this manufacturer till he heard the full story about today's corrugated boxes. He learned he could save up to 50% cost. Then, as a free bonus, he gets a flock of other advantages too. Corrugated boxes weigh less, so he saves on shipping cost. They protect all around, keeping out rain, dust, falling objects, and prying hands. So his product usually arrives in better condition.

Customers like the new boxes better too. They're easier to handle (notice the convenient hand holes in the ends). They slide smoothly, stack steadily. And there are no nails or wires to scratch hands or tear clothing. Side printing makes every box a traveling billboard that strengthens brand consciousness on the part of buyers, handlers, service people and users.

Today's big swing to corrugated gets its energy from advantages just like these. Nothing can match corrugated for its low cost strength, rigidity, protectiveness. If you aren't using corrugated now, find out how many ways you can benefit. Call your nearby boxmaker. He's listed in your classified telephone directory under "Boxes—Corrugated."

Langston doesn't sell corrugated, only the machines that make it. Since 1902, these machines have led the field in efficiency and dependability. *Samuel M. Langston Co., Camden 4, N.J.*

THINK FIRST OF CORRUGATED

LANGSTON Corrugated Container Machinery

In Business

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FTC Nudges the Tire Industry Toward Truer and Clearer Ads

The Federal Trade Commission last week took a first tentative step to muffle, and clarify, the more blatant sorts of advertising in the $2-billion-a-year automobile tire industry.

FTC sent an 11-point guide for "truthful and meaningful" ads to all tire makers, brand-name dealers, and others in the trade, along with a request for comment on the suggested rules.

The guide came after several years of squawks by segments of the tire industry and by Better Business Bureaus that some tire ads were getting out of line, and were merely confusing the public. FTC said it was especially worried by the widespread use of such terms as "first line," "100 level," and "120 level" to describe tires that actually fell short of such descriptions.

New Swipe at Oil Practices

Major oil companies felt the wrath of the Federal Trade Commission again this week. This time the target was consignment selling, a method of retailing gasoline that is employed by almost all the majors.

Specifically, FTC says that Sun Oil Co.'s consignment agreements with stations in the Portsmouth-Norfolk-Virginia Beach area of Virginia are unfair and in restraint of trade. In these deals, Sun keeps title to gasoline delivered to the stations, and so is free to set the retail price. The dealer gets a per-gallon commission on sales.

FTC says Sun Oil uses its power to "coerce" the dealer into accepting the consignment deal, and thus losing his real status as an independent businessman. And, in the area cited, FTC says the commission is nowhere near so large as the profit the dealer formerly enjoyed.

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Statistics on the Sniffles: 12-Million People Were Felled in a Single October Week

Snuffling and sneezing Americans last week got a rheumy look at the statistics of what ailed them. The figures—the newly initiated National Health Survey by the U. S. Public Health Service—showed, if nothing else, that misery was getting plenty of company.

In the 17 weeks from July 1 to Oct. 26, there were 63-million new cases of acute upper respiratory diseases, causing 190-million days of bedded disability. The fat total got little meat from the early weeks; there were about 1,000 new cases per week in July and early August, a modest 4,500 a week by mid-September.

Then came the deluge. With the flu season in full swing, there were 12.2-million new cases in the week ended Oct. 19. In the following week this dropped to 10-million new cases. But statisticians were skeptical of even this mild cheer; they suggested a mere statistical vagary, due to the smallness of the survey's sample. The figures, incidentally, included only new cases in which the victim was bedded for at least a full day.

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Inventor Says Automatic Bill Changer Will Handle Your $1, But Spurn Phonies

A machine that will accept your $1 bill, scan it for fraud, then return a dollar in change is scheduled to go on the market next March, according to inventor William A. Patzer, president of A.B.T. Mfg. Co., of Chicago.

Patzer says his electronic machine—the Bill Changer—will take any genuine $1 bill no matter how bedraggled, but will scorn bills of other denominations, counterfeits, and assorted bits of paper. **It also rejects two bills stuck together.** Later models, he says, will be adjustable to different denominations, and to make change in different formulas.

The inventor says enthusiastically that his machine will revolutionize the vending machine business. He says that similar, previous devices failed to accept tattered bills, no matter how genuine.

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Business Briefs

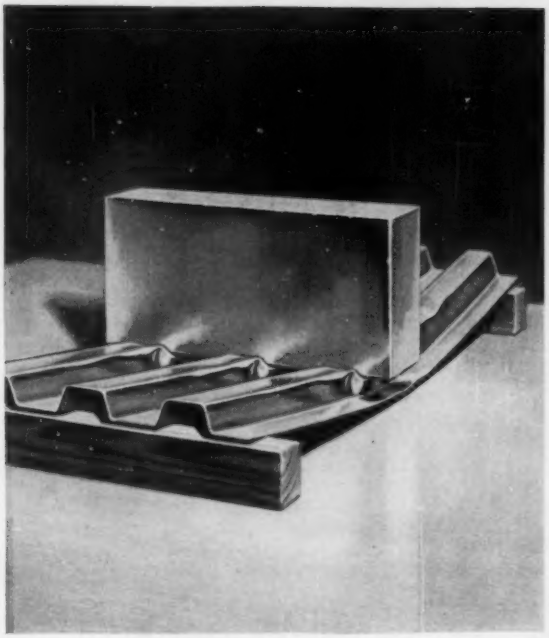
The Interior Dept. plans to open for private development **more than 20-million Alaskan acres north of the Arctic Circle.** Main interest will be the bidding, probably in April, for 16,000 acres in the Gubic natural gas field. Other areas, with potential oil and mineral resources, have yet to be mapped; the Navy's vast petroleum reserve will remain closed.

Canada's Conservative government has come through on at least part of a campaign pledge **to protect Canadian control of Canadian business.** It introduced a bill requiring that a majority of the directors of each life insurance company be Canadian citizens, residing ordinarily in Canada. The bill also permits the boards to bar the sale of Canadian-held stock to non-Canadians.

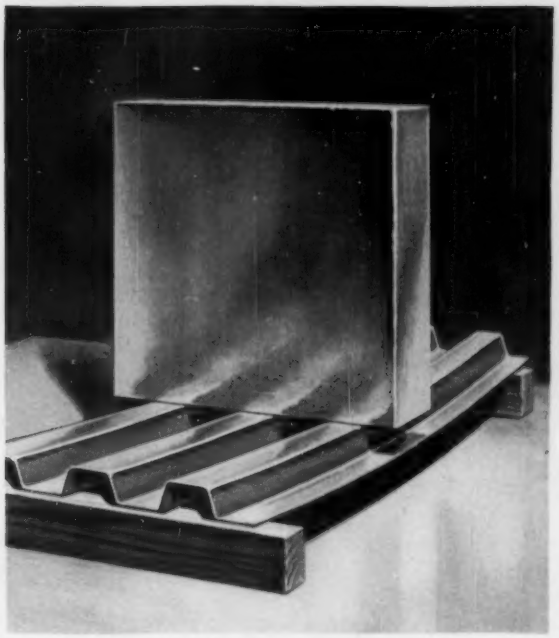
The Civil Aeronautics Board has promoted **Trans Caribbean Airways** from nonsked to a scheduled overseas certificated airline, with full rights to compete with Pan Am and Eastern on the rich run from New York to San Juan, Puerto Rico. This is the first time in more than 20 years that CAB has allowed a new scheduled carrier to enter a major trunk line route.

The Kansas City Star this week announced it had sold its radio and television interests for $7.6-million to National Theatres, Inc., and NTI's president, Elmer C. Rhoden. The week before, the Star finally yielded to Justice Dept. pressure and agreed to get out of the radio-TV field (BW—Nov.23'57,p118).

The Interstate Commerce Dept. this week **approved 4%-7% rate boosts by Southern truckers** on shipments within the South and to the Southwest and Middle West.



Aluminum (3003 H14 alloy)



Armco ALUMINIZED STEEL Type 2

A structural section made of aluminum fails under only half the load supported by an identical section made of Armco ALUMINIZED STEEL. This new 2 in 1 metal combines the corrosion-resistance of an aluminum coating with the strength and rigidity of steel and on the basis of equal thickness costs less than aluminum.

Armco ALUMINIZED STEEL Type 2 has the surface properties of aluminum and the strength of steel

Here's a revolutionary new steel that can give outdoor products you make or buy the corrosion-resistance of an aluminum coating plus the high strength of steel. It's Armco's ALUMINIZED STEEL Type 2—a tough steel base coated with aluminum.

In addition to much higher strength than commonly used aluminum alloys, Armco ALUMINIZED STEEL Type 2 retains useful strength at temperatures that seriously weaken aluminum.

It costs less, too. Material costs can be reduced by about 30 to 45% by using ALUMINIZED STEEL Type 2 instead of aluminum of equal thickness.

Armco ALUMINIZED STEEL is made to order for products that require both rugged, durable strength and economical resistance to atmospheric corrosion. It is extensively used in boiler shrouds, steel buildings, agricultural implements, display racks, garage doors, truck body skirt panels and many other outdoor products.

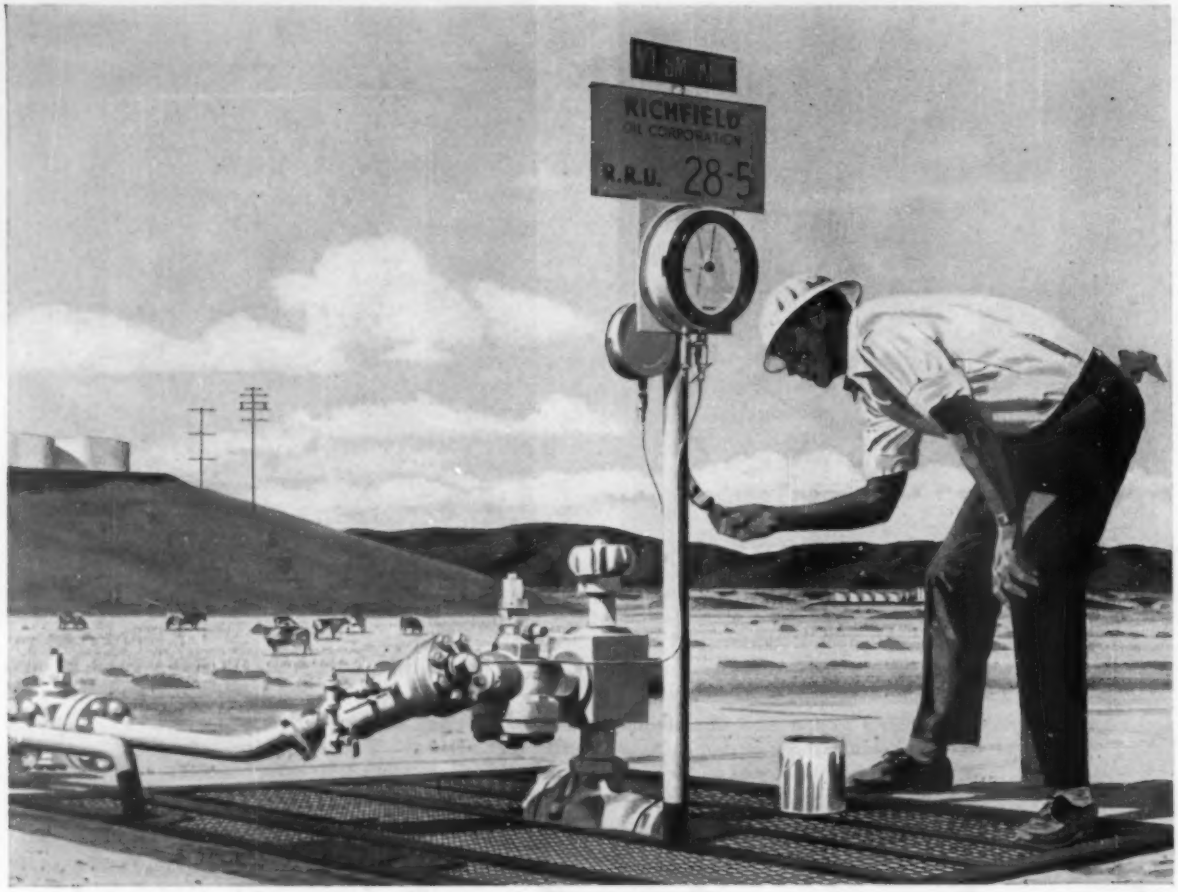
Armco ALUMINIZED STEEL Type 2 is only one of many special steels developed by Armco for better steel products at lower cost. Perhaps one or more of these special steels could cut production costs or add sales points to your products.

Why not get the full story? Call your nearest Armco sales office . . . or write to the address below.

ARMCO STEEL CORPORATION

MIDDLETOWN, OHIO

SHEFFIELD DIVISION • ARMCO DRAINAGE & METAL PRODUCTS, INC. • THE ARMCO INTERNATIONAL CORPORATION



Cuyama...*biggest California oil strike in 20 years*

The discovery of oil in California's Cuyama Valley made Richfield a major oil producer.

Semi-arid Cuyama Valley had been studied by geologists for decades and declared a poor prospect for oil. Unconvinced, Richfield geologists went over the ground again and again. Finally in June, 1948 the first producing well was brought in. A year later Richfield discovered the South Cuyama Field five miles away.

Together the Cuyama Valley fields represent the biggest California oil strike in 20 years.

No derricks mar this very modern oil field... just spic-'n'-span "Christmas trees", pumping units and low-lying tank farms. The latest in efficient oil conservation methods, including repressurization by gas and water injection, assure profitable oil recovery for years to come. By August 1, 1957 Richfield's production of crude oil from Cuyama Valley totaled over 120 million barrels.

Today, in keeping with its policy of *years-ahead* planning, Richfield is helping to develop new oil reserves in many parts of the world.

The Far West—where the name Richfield stands for the best in petroleum



RICHFIELD OIL CORPORATION *a leader in Western Petroleum Progress*

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
NOV. 30, 1957



Nixon emerges strong out of the confusion of the past several days. He has staunch friends in Washington, both in the Administration and in Congress. He has enemies, too. But most of them are in the Democratic camp. There are a few among the Republicans. These are staying quiet, though, waiting to see what will happen next. So, take a fresh look at Nixon.

—•—

His political stature has been on the rise. Eisenhower put him on the Big Road in 1952, when he refused to dump him because of the campaign fund episode. Since then, Nixon has discharged various White House-assigned duties well.

California registers his latest coup. You recall how the political writers set Senate GOP Leader Knowland up as the big challenge to Nixon. When Knowland announced for the California governorship, Nixon backed him. The question then was what would happen to Gov. Knight. How, the experts asked, could Nixon work this one out and avoid a big fight in the 1960 GOP Presidential Convention? Nixon worked it. Knight bowed out.

—•—

Nixon is strong for business—private enterprise.

But note his attitude on spending and the budget. Nixon took an early stand that the nation should give up any ideas of a tax cut and a balanced budget if the requirements of defense exceed the current revenue take. Some of his associates go so far as to say he will back a tax increase if that becomes necessary.

—•—

He has backing in labor, even though leaders lack enthusiasm for him.

The difference between Nixon and Eisenhower can be spelled out in a few words, where the big unions are involved.

Nixon accepts union pressure as a part of politics. Eisenhower from the start maintained that union-management differences had no place in the White House. Nixon goes along with this, but without the strong feelings of Eisenhower.

Union leaders don't like Nixon. Leaders are quick to recall his part of the old House Un-American Activities Committee, which they called "anti-union." But they do have a regard for his political astuteness. They feel they can get along with him, if they have to—"he's more pliable than Ike."

—•—

He's the GOP leader on civil rights. He has headed various commissions aimed at eliminating discrimination against Negroes in jobs and has been very vocal in this area.

He's for school integration. As the Vice-President, he didn't have to take a stand on the Little Rock issue. But his friends say that he backed Eisenhower all the way in the use of federal troops.

—•—

He's strong on defense. In fact, he was the first man in the Eisenhower Administration to give real importance to Russia's first Sputnik.

And he's strong for the Western Alliance. His feeling is that the

future defense of the U.S. depends on allies abroad. He supports the policy of defense bases outside the U.S.—the ring around Russia. But he also supports the idea of trade, unshackled by high tariffs. His stand for big foreign aid is a part of his over-all idea of tying Western nations closer together.

—•—

Defense will be much in the news for months to come. You will have considerable difficulty in sifting out facts. The Democratic Congress will try to blame the Eisenhower Administration for not keeping our military science ahead of Russia's. The Administration will talk up U.S. points of strength and deny that it is at all to blame for whatever advantages the Reds may have. It will be a running political debate.

But business implications will be easy to see—the government will soon become an even bigger customer of industry.

For perspective, take two looks ahead.

Short term, you will see little change in defense demands. You will see a flurry at the planning level—assertions of what the U.S. will do in the missile and rocket fields. And there will be appropriations, which mean more money for so-called space weapons. But no quick spending rise is ahead.

But look at the long-term picture—the next two or three years. There's no doubt among experienced observers in Washington that the government will be ordering more for defense and that most of this increase will show as a net addition to the budget. The talk of offsetting cuts in civilian lines is just about discounted. This would mean cutting down on public works—such things as postoffices, federal buildings, and power dams—on which most congressmen have their hearts set. And 1958 is an election year.

Look at how Washington figures it, more than two weeks after Eisenhower accepted the fact that spending would have to rise and that his goal of maintaining the balanced budget might have to be passed over for the time being. The consensus is that you will see a rush to get defense spending hiked. This will show in the budget that goes to Congress next January. Prospect is that the White House will back more than it can spend—**push the budget to a hairline balance.**

The politics is this: In any crisis, whether at home or abroad, the public, both at home and abroad, has looked to Washington for new and bigger spending programs. These have come to be accepted as the measure of effort going into any given situation. **You have seen the cartoonists picture Uncle Sam on the way to rescue, streaming dollars.**

The first increase won't be big—maybe only a billion dollars or so in total government spending of more than $70-billion.

It's what will come later that really counts. And all the figuring is that increases in the next 12 to 18 months will be only a modest start. Estimates see defense spending as much as $5-billion higher in three to five years. **And that, of course, would be an important stimulus to the economy.**

Contents copyrighted under the general copyright on the Nov. 30, 1957, issue—Business Week, 330 W. 42nd St., New York, N. Y.

Vertol 44 solves transport problem for oil industry

The petroleum industry has a new tool, the Vertol 44 helicopter, to cut manhours, money and misery out of exploratory drilling at remote sites.

The Vertol 44 is a heavy-duty, universal vehicle that makes the sky a 100 mph highway, almost any clearing a landing field. Gone is the need to hack roads in jungle, swamp and mountains. You may need it for these money-saving missions:



Flying Truck: The Vertol 44 carries more than 2 tons of cargo in tropical areas...transports the entire 175,000 lbs. of a drill rig over a distance of 50 miles out and back, in only 56 flying hours. Its 600 cu. ft. cabin accommodates 50% more cargo than any other commercial helicopter, with no problem of load placement.

Flying Bus: Airlifts up to 19 passengers ... 2 typical field crews ... to jungle derricks or offshore drills ... flies exploration teams to otherwise inaccessible spots.

Flying Crane: Hops rivers, ridges and swampland with sling-loads of pipe, rig superstructure, large pump components or even mobile field offices.

Flying Tractor: Frees mired vehicles, hauls barges, drags sledges. It has even towed a 3,000-ton ship.

For more information on this multi-purpose vehicle for the oil industry, write to: Customer Relations Department

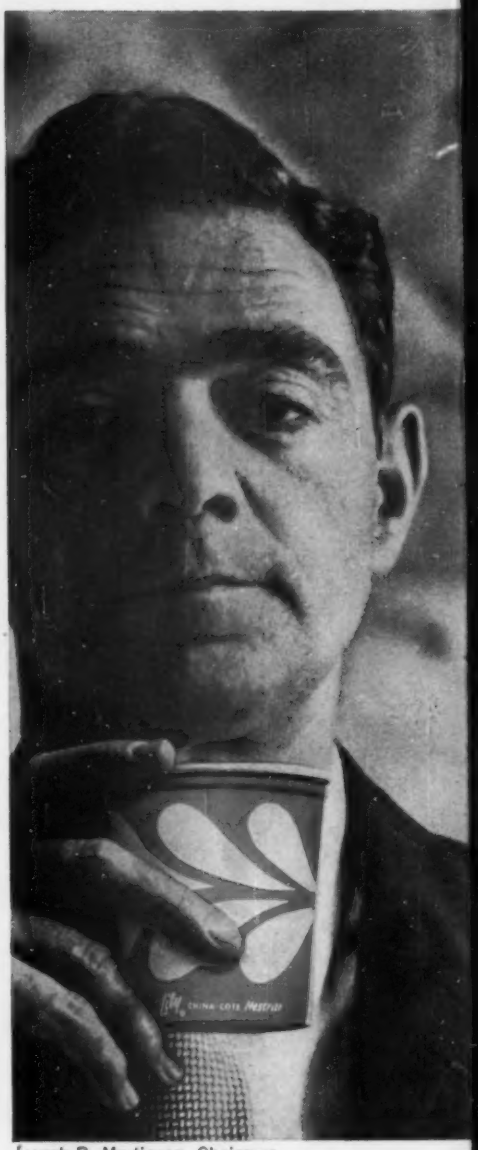
VERTOL Aircraft Corporation

MORTON, PENNSYLVANIA.



Albert Ehlers, President
Ehlers Coffee

make this taste test yourself



Joseph B. Martinson, Chairman
Martinson's Coffee

Join these 5 coffee and New Lily China-Cote*

Each of these men is an expert. Some like coffee, others tea. Whichever they like, they like it better when it's served in a Lily-Tulip China-Cote cup. Conclusive proof that this cup . . .

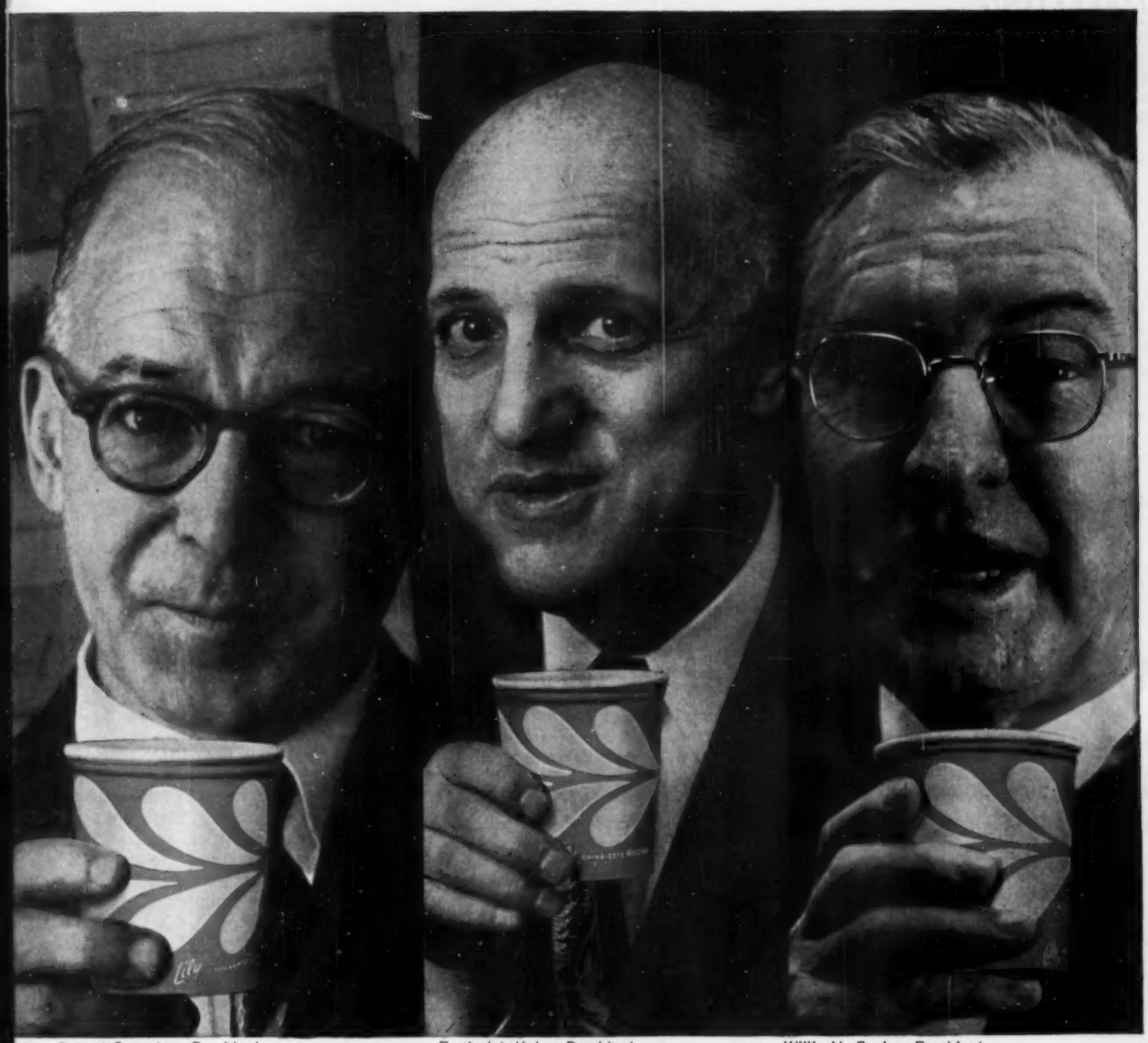
Saves the flavor! Resists penetration of coffee or tea into the paper. Hot beverages taste as they should.

Saves the heat! Keeps liquids 10° hotter over a ten-minute period.

Saves the shape! Remains sturdy in the hand.

The secret? An inner plastic coating—ten years in the developing—that's similar to real china.

Lily China-Cote, the first truly satisfactory hot drink cup, has become the cup specified by progressive executives concerned with employee morale, and by owners of restaurants, drive-ins, cafeterias, and other volume feeding operations.



Robert Compton, President
Bingham & Co., Tea Importers

Frederick Kohn, President
Old Dutch Coffee

Willis H. Gurley, President
Borden Food Products Co.

tea experts who proved cups save the flavor

For details see your local in-plant feeder or cup supplier. For free samples, use the coupon to contact us directly. *Dept. BWS, Lily-Tulip Cup Corporation, 122 E. 42nd St., New York 17, N. Y.* *T.M. Reg. U. S. Pat. Off.

EXECUTIVE TASTE-TEST COUPON

Dept. BWS, Lily-Tulip Cup Corp.
122 E. 42nd St., N. Y. 17, N. Y.

Please send me free samples of your revolutionary China-Cote cup—the cup with the inner plastic lining that *saves* the *flavor* of all hot drinks. I understand, of course, that I am under no obligation whatsoever.

Name & Title_____

Company_____

Address_____

City_____ Zone____ State_____

FILL OUT AND MAIL NOW



What Sways the Family Shopper

The motivation research concept got a beady eye a few years ago, but now advertising agencies and consulting companies are drawing heavily on its findings.

At its annual convention in New York this month, the Advertising Research Foundation included in its program a panel discussion of motivation research—the science, or near-science of finding out why consumers behave as they do.

This panel exhibited two significant features:

• The speakers pleased and surprised their several hundred listeners—mostly fellow motivation researchers—by having something definite to say.

• Though some discussion centered on the relative merits of specific motivation research techniques, the atmosphere remained calm and reasonable—in sharp contrast with previous heated meetings devoted to the subject.

The panel pointed up an important fact. The general public is beginning to stir uneasily, prodded by such things as Vance Packard's The Hidden Persuaders, (David McKay Co.), a best-seller on motivation research.

• **Buckling Down**—Researchers themselves, firmly entrenched in advertising agencies, private consulting firms, advertising media groups, and manufacturers' marketing departments, have weathered client resistance and internal strife, and are settling down to the serious business of refining their concepts, sharpening their tools, and learning more about how to apply their art to business problems.

They have good reason to buckle down. Though their presence is not so obvious as the motley crew following the shopper in the drawing above, their talents are being called on more and more. As one researcher says, "For most companies the question is no longer 'Shall we use motivation research,' but 'How can we best use motivation research?'"

I. A Growth Idea

Motivation research figures are hard to pin down, but an ARF survey taken earlier this year offers a clue. Of 105 members that replied—advertisers, agencies, and media groups—only 30 had engaged in motivation research up to three years ago. Two years later, 41 had entered the field. In the past year, the total rose to 57. Similarly, the number of companies that had retained motivation research consultants rose from 25 to 47 in less than three years.

A growing list of advertisers—including not only manufacturers of consumer goods but makers of industrial products, and such industries as power utilities, trade associations, railroads, and airlines—is using motivation research findings. For example:

• General Electric Co.'s Automatic Blanket & Fan Dept. is using young models in its ads for electric blankets, to overcome the image researchers found that consumers held of electric blanket users as elderly, sick people. Also, GE is playing down the controls, since this aspect reminds people that the blanket is electrified and suggests danger.

• The New Mexico Travel Bureau found that most vacationers thought of that state as hot, uncomfortable, barren, and lacking in interest. The bureau is now concentrating on ads showing a state filled with greenery, bustling cities, fascinating sights, and creature comforts.

• Westinghouse Electric Corp. used to stress the strong suction of its vacuum cleaners, but found that housewives associated this with deep cleaning action, whereas they were more interested in the removal of surface dirt. Westinghouse switched to a theme of easy cleaning.

For this and other kinds of motivation research data, companies are going

to their own advertising agencies, to some of the big consulting companies such as Dr. Ernest Dichter's Institute for Motivational Research or Dr. Burleigh Gardner's Social Research, Inc.—or perhaps to one of the myriad smaller companies such as psychologist David Mayer's Market Psychology, Inc. (Mayer has been piling up earnings on the quiz show, Twenty-One.)

• **New Frontiers**—Motivation research is cropping up in new areas, too. Westinghouse Broadcasting Co., for example, recently used it to study listener attitudes toward its own and four competitor radio stations in Pittsburgh. Melvin A. Goldberg, WBC research director, thinks this is the first time this motivation device—called semantic differential—has been employed in broadcasting.

Goldberg showed listeners a list of paired adjectives—pleasant-unpleasant, loud-soft, active-passive—and asked them to check off the ones they thought best described each of five stations. Listeners could indicate by degrees how close they thought the station came to the appropriate word. Goldberg then asked them to score their "ideal" station. WBC's KDKA scored best, and the test was used in a sales pitch to advertisers.

• **New Techniques**—In addition to using established techniques, motivation research is delving into new fields, most spectacularly that of subliminal advertising (BW—Sep.21'57,p30). Ever since Subliminal Projections, Inc., of New York revealed its experiments in a New Jersey theater where it flashed ads on a movie screen so fast the viewers weren't conscious of seeing them but presumably were influenced by them, advertising pulses have quickened.

The Federal Communications Commission is investigating the possibility of banning subliminal ads for TV (BW—Nov.16'57,p125), and the National Assn. of Radio & Television Broadcasters has adopted a rule against stations using them. But, one researcher says, "experiments are going on all over town." Most agencies take the attitude that they must investigate all possibilities, but express doubt about the efficiency of subliminal ads. According to Dr. Virginia Miles, motivation research director for McCann-Erickson's marketing subsidiary, "The results of tests are tending in a negative direction." And Peter Langhoff, vice-president and director of research of Young & Rubicam, Inc., adds, "Our experiments don't excite us."

Nevertheless, Experimental Films, Inc., of New Orleans has just announced a subliminal point-of-sale device to occupy counter space in stores and flash invisible messages at patrons. And Westin-Rush Productions, Inc., of Hollywood, is including subliminal scenes in a coming science fiction film to heighten the dramatic effects.

• **Here to Stay**—A final indication that motivation research is here to stay is that many companies that specialize in traditional marketing research—finding out how many people bought a product, with statistical breakdowns by age, sex, location, and economic status—are using motivation research techniques. These companies include Alfred Politz Research, Inc.; Crossley S-D Surveys, Gallup & Robinson, Inc.; and Daniel Starch & Staff.

II. Scope and Applications

The scope of motivation research indicates that the term covers a great many different kinds of activity. Depending on their training, researchers tend to emphasize different sorts of emotional and social attitudes to products. The findings that catch the public's eye are more often than not based on deep emotional, sometimes sexual, attitudes and are often deliberately couched in highly colorful language.

In a new book, Motivation Research and Marketing Management, Prof. Joseph W. Newman of the Harvard Business School writes of motivation research "as a development more than a thing." Motivation research basically is the application to business problems of concepts and techniques taken from the behavioral sciences such as psychology (all the way from psychoanalysis to Gestalt psychology) sociology, and anthropology (BW—Aug.14'54,p50).

• **Impact**—Anybody using certain techniques—depth interviews, various projective tests designed to learn answers indirectly—is in a sense using motivation research. Newman points out, however, that the importance of motivation research to marketing may lie as much in the new ways of thinking that it is bringing about—such as the emphasis on psychological values of products and the idea that hidden motives influence buying—as in the specific techniques it provides for uncovering the attitudes and motives. Young & Rubicam's Peter Langhoff bears this out when he says of motivation research, "At Y&R the point of view is more important than techniques."

Basically, in assessing the present extent of the impact of motivation research, the important fact is this: Everybody concerned with marketing goods and service is focusing more attention on consumer motives—including unconscious ones—and hence on methods for uncovering those motives.

• **Adman's Baby**—Although motivation research is taking root in such fields as public relations, packaging, and industrial designing, most of its data are destined for advertising use. Advertising is the soil in which it has reached its fullest flower, but to a large extent it blushes unseen. Along Madison Avenue, there is scarcely an agency without its motivation research team, but the agencies generally keep it well out of sight in the back room—wary of invoking the "hidden persuader" label, as well as cautious about revealing their own or a client's secrets.

The air of mystery arises too from the kind of use advertisers and agencies make of motivation research. In their hands, it is primarily a diagnostic tool, brought into play when something is wrong or when the answer to some problem is needed. Dr. Herta Herzog, vice-president and director of creative research for McCann-Erickson, Inc., and a leading practitioner of the art, believes that this diagnostic use has brought about a much closer relationship between research and direct action. However, the link makes admen careful about discussing motivation research surveys over their Martinis.

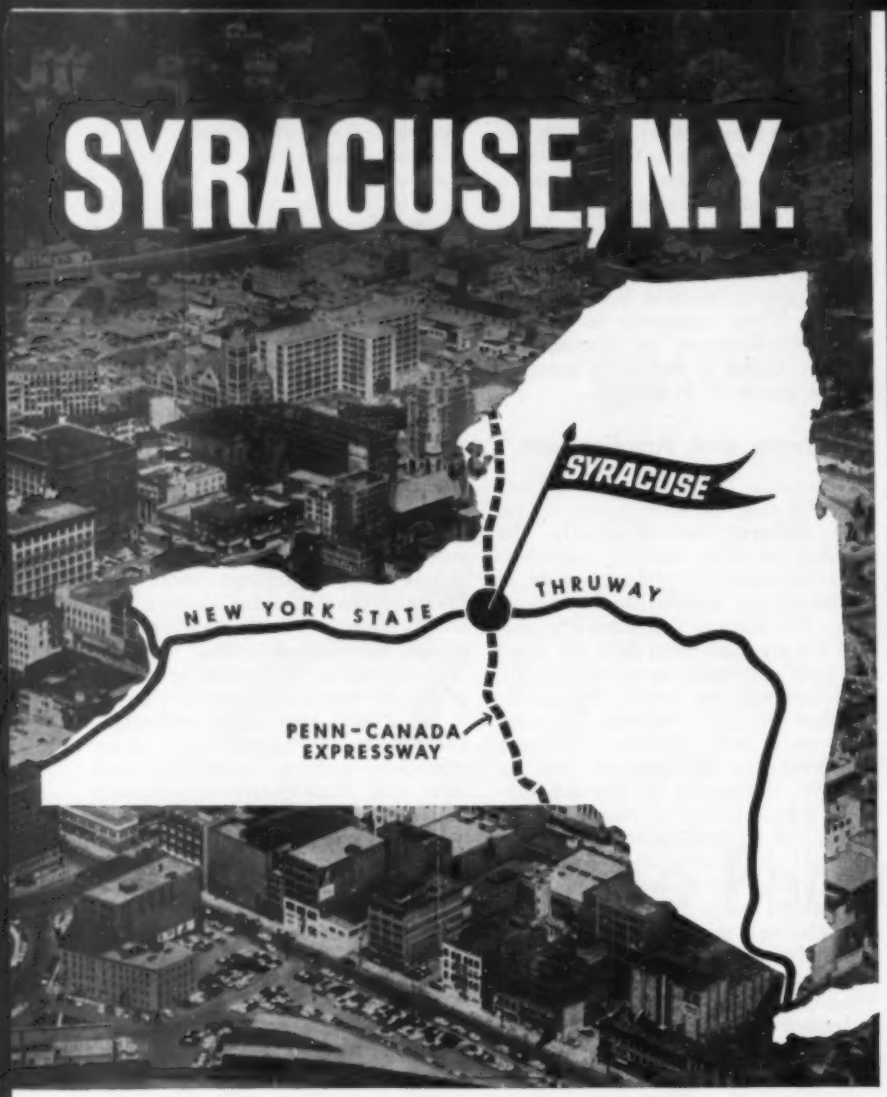
A common though limited agency approach to motivation research is to use it as a net for "hunch-gathering." Faced with, say, flagging sales, agency researchers perform exploratory interviews with small groups of consumers to try to unearth attitudes about the product. From these, they form preliminary hypotheses about the significant consumer feelings. Some agencies then toss a few ideas at the people who actually prepare ads—"creative" people in ad agency jargon—and let it go at that. Others try to test the hypotheses with larger groups to get a broader base for the attitudes they found in the smaller group.

In a number of agencies, motivation research is integrated with other kinds of research—standard marketing research, readership studies, copy research—and contributes to developing over-all marketing strategy as well as testing advertising effectiveness. Y&R, for example, makes a distinction between research directed at developing strategy and that aimed at tactics for carrying out existing plans. Under Dr. Frank Mayans, a special projects department, established in 1951, conducts motivation research related to the larger objectives, and integrates its work with standard statistical market research. Three other departments—media research, copy research, and TV-radio research—use motivation research techniques in part to evaluate what the agency has done.

III. The Concept at Work

As a conspicuously successful example of motivation research in an agency, many researchers look admiringly at the work of Dr. Herzog and Dr. Miles at McCann-Erickson.

Dr. Herzog uses motivation research



Geographic center of New York State, with overnight delivery to the world's richest market. Prime plant sites available and a Marine Midland bank knows the area.

It's easy to see how accessible Syracuse is to the world's richest market. Within a 300-mile radius live 42 million people. Syracuse has modern transportation to make the most of this prime location. East and west there's the N. Y. State Thruway. Intersecting it at Syracuse will be the north-south Penn-Canada Expressway. There are fine air and rail facilities, the state barge canal. You can move goods overnight to Detroit or Montreal, New York City or Chicago.

In Syracuse, you'll find the Marine Midland Trust Company of Central New York a helpful business acquaintance. John A. Sheedy, the bank's executive vice-president, says, "Businessmen will find that Syracuse has healthy industrial diversification, excellent recreational facilities and modern educational institutions right through to the post-graduate level." Write him at the Marine Midland bank in Syracuse if you'd like to know more about business opportunities in the Central New York area. He's lived here all his life and can help you with the bank's detailed knowledge of men, markets and materials.

MARINE MIDLAND BANKS

Building with the state of New York through 159 offices in 84 communities

Members Federal Deposit Insurance Corporation

as an extension of conventional statistical research. "Motivation research just uses better techniques to get answers to the question that appeared on standard marketing queries 20 years ago—Why did you buy our product?"

"The end of all research," she adds, "is to explain and predict consumer purchasing behavior. Motivation research contributes to this total explanation."

• **What Is Behavior**—Since motivation research aims at explaining purchasing behavior, Dr. Herzog believes one must first know what that behavior is. She says that motivation research must be based on good market research. Dr. Herzog generally runs a traditional market research survey in order to isolate significant groups within the total market for special study. If she fixes upon, say, the heavy users, the next step is to learn their distinguishing features—why some consumers buy heavily.

Some of the reasons may be inferred from market data. But to understand fully why people buy, motivation studies of small groups within the market are necessary. When Dr. Herzog feels she has uncovered significant factors, she tests these theories in a larger sample group. A final step is to test copy to see if consumers are responding to ads.

• **Copywriter Problem**—Motivation research frequently must face the traditional distrust that the agency creative staff feels for all research. One copywriter in a small agency sums up this feeling: "I can get one creative idea and sell more merchandise than all the motivation research on Madison Avenue."

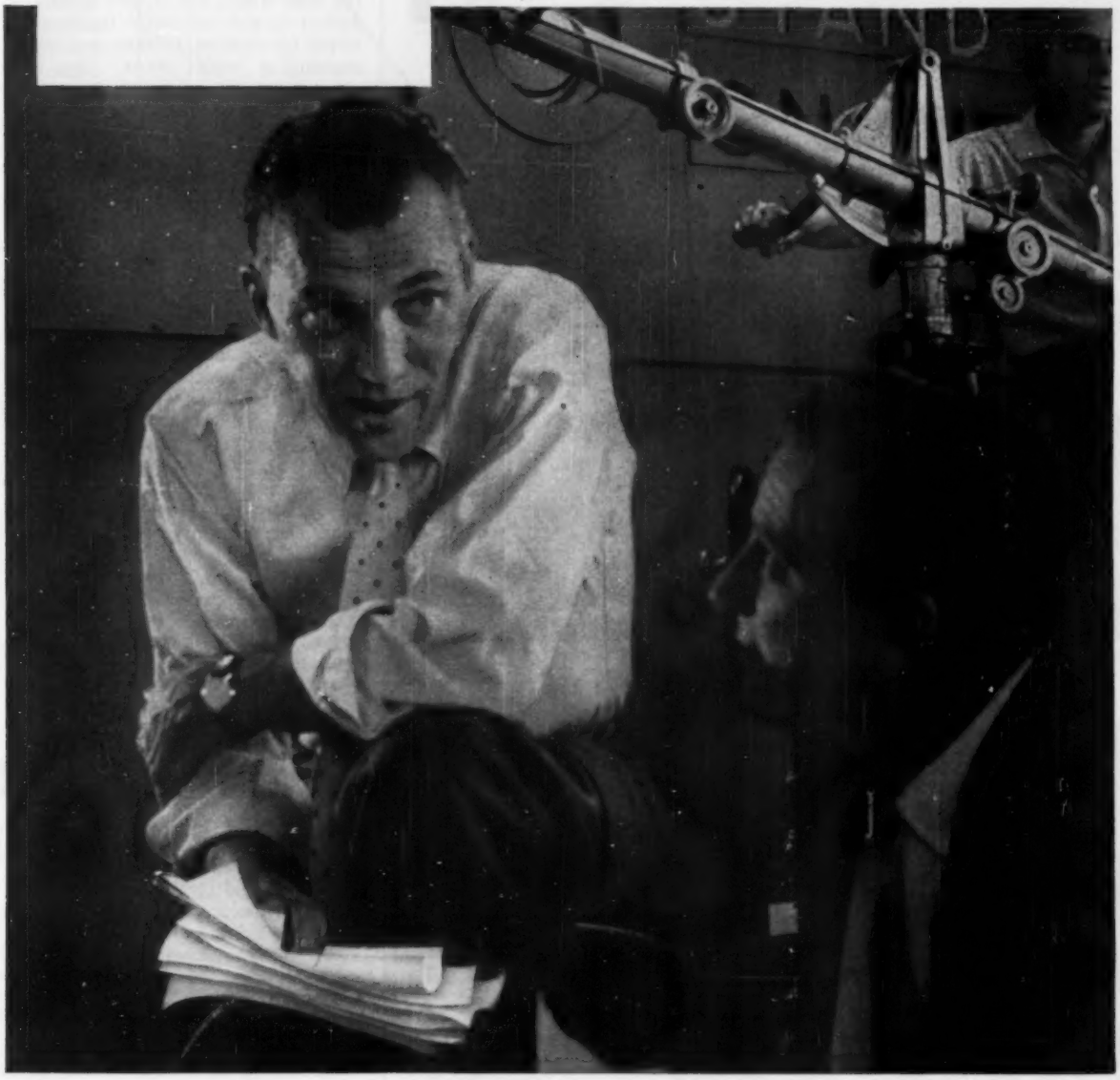
Dr. Miles acknowledges this resentment, but says that at McCann-Erickson "research doesn't have to fight for a hearing. Everybody is hungry for research findings."

At McCann, findings are conveyed at regular meetings between research and creative people, and through reports on specific findings. "Research doesn't write ads," Dr. Herzog says, and copywriters are free to ignore her conclusions. She compares research's function in aiding the copywriter with an X-ray to a surgeon. "Copywriters have their own ideas about why people buy a product," she explains. "If you can say to them that certain of these ideas are closer to what people want than these other ideas, you have performed a valuable service."

• **"Hidden Persuasion"**—More often than not, however, motivation research produces changes in the ads, or even in the whole advertising approach. Sometimes research reveals that the product has qualities consumers want but that the ads aren't communicating

WESTERN UNION
TELEGRAM

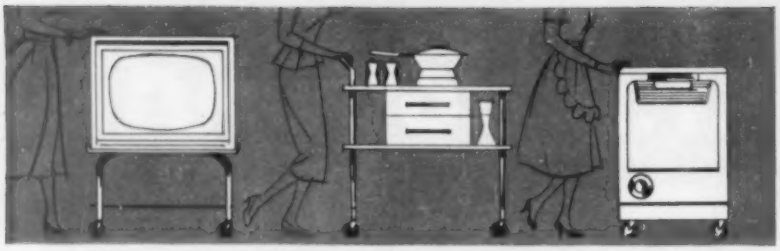
Ed Sullivan *speeds it in writing with telegrams*



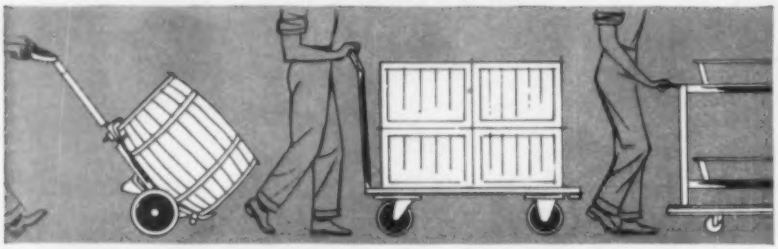
He produces TV's biggest show with wires

When Ed Sullivan and his staff sit down to map out production details for Sunday evening's ED SULLIVAN SHOW, the telegram is very much in evidence. Says Mr. Sullivan: "From clearing last-minute production changes with the whole CBS network to signing a guest star at the other end of the country, we get it *in writing—fast*—with the telegram. As a matter of fact, the telegram often serves as a contract." Yes, in show business—in *any* business—it's always smart to put it *in writing*—with telegrams.

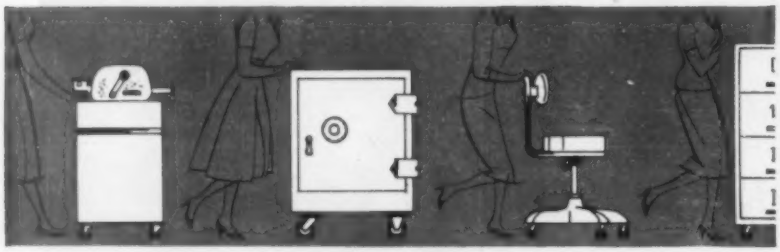
More than a million times a day, business finds it wise to wire. Telegrams quote prices, confirm orders, route shipments. Speed plus the written record make the telegram essential to American business.



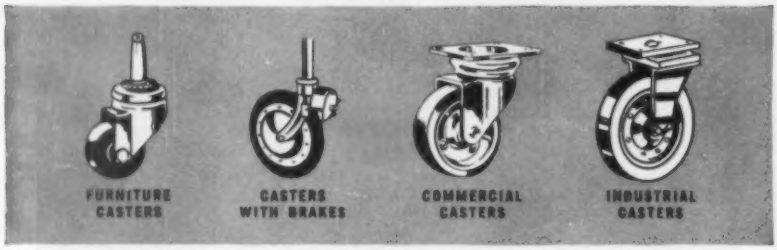
COLSON



QUALITY CASTERS



KEEP QUALITY



PRODUCTS MOVING

Whatever your product . . . appliance, office equipment, heavy machinery . . . it will move smoother and safer, last longer on Colson Casters. It will move faster in your market, too, for mobile products equipped with Colson top quality casters make an impression that sells.

Colson Casters are job fitted to meet operational, weight and speed requirements of both equipment and flooring in industry, commerce and the home. Colson specialists can specify from hundreds of types of light, medium and heavy duty casters to fit your product . . . they know from experience which caster is best for the job.

Designed, engineered and manufactured from field tested and proven materials, Colson Casters are truly the outstanding quality product on the market. Put quality in your product from the ground up . . . keep it moving, keep it selling . . . put it on Colson Casters.

Colson

General Offices, Elyria, Ohio

THE COLSON CORPORATION

Factories in Elyria, Boston, Toronto

them, or are stressing the wrong values.

Take Swift's meat for babies, for instance. The advertising generally had stressed the nutritional theme. Research showed that mothers took nutrition for granted, were more interested in the emotional situation involved in feeding their babies. They wanted the food to taste good so that the baby would like it—and them. Ad writers turned out warm highly emotional ads showing mothers and babies exchanging tender looks. The copy stressed the taste of the meats.

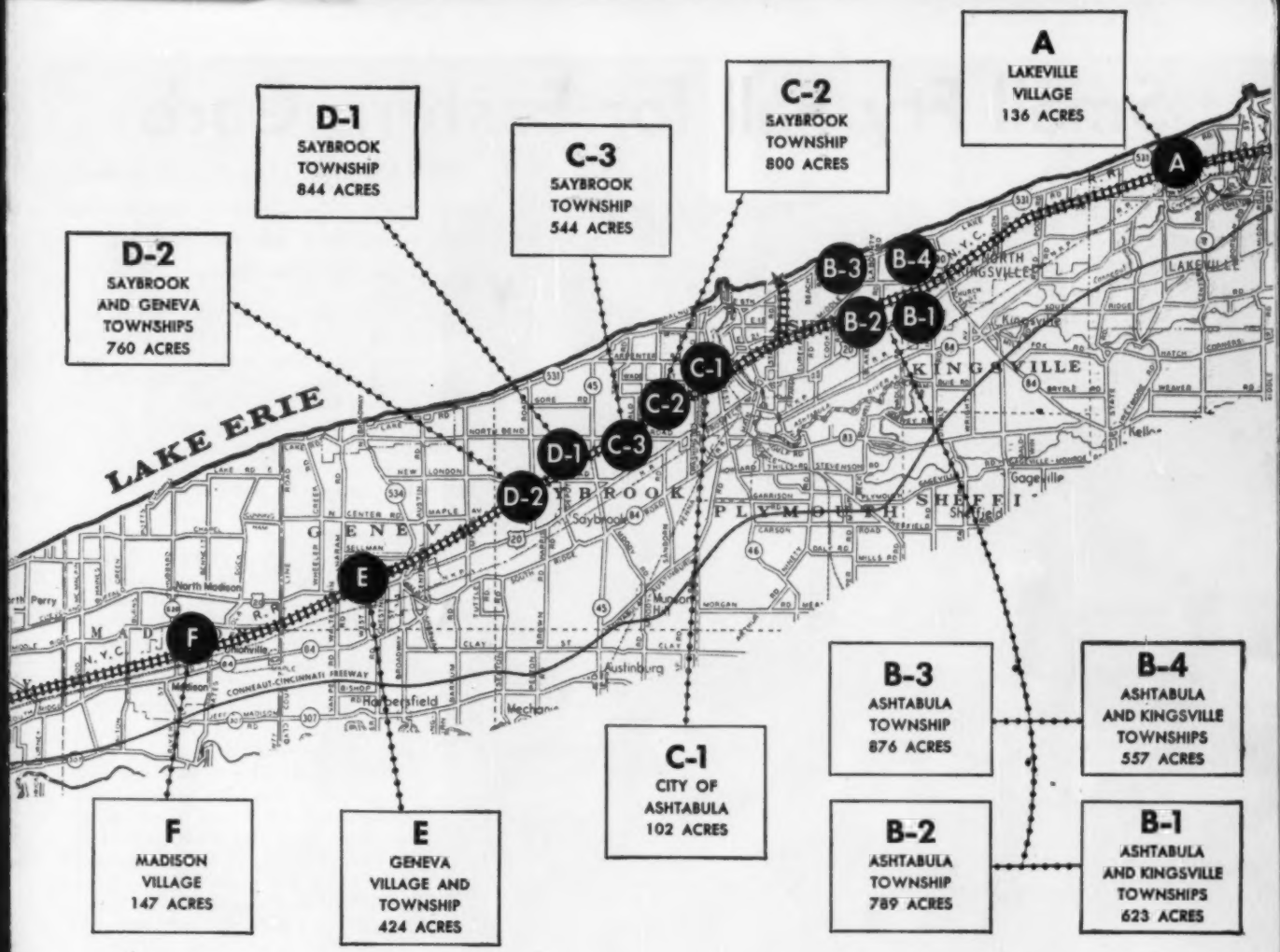
In another case, stress on taste was wrong. In advertising a big baking company's cookies, the researchers found that emphasis on taste fostered a concern in mothers. Maybe the kids shouldn't eat so many cookies, mother thought; also, it reminded her that the cookies were bought, instead, of home-made. So the ads began to plug the wholesomeness of cookies.

• **Reaching Deeper**—Research leads to product development, as well. A study of saltine crackers revealed that consumers think a saltine is a saltine, see little difference between brands. Also, most consumers think of saltines as a bland accompaniment to other foods, don't want it to have too much taste. Researchers found that the qualities consumers want in crackers are freshness and crispness. This led to the development of a special inner-seal package that formed the basis of an advertising campaign.

Examples like these suggest how motivation research is being used in agencies. The files of private consulting companies yield similar cases. As motivation research increases in utility, it will become less a special tool, more an ordinary aspect of research in general. Many researchers are surprised at the furor their work has created. Dr. Herzog says, "At McCann we think of motivation research as a data-gathering device, and think we know how to use it. Now we are moving on to things we don't know about."

• **Accord**—The growing importance of motivation research is evident in the fact that there is less bickering among the experts. More and more of them are beginning to share Dr. Herzog's view that it must be used in connection with other market research.

Fundamentally, marketing research is unifying under the same pressures that shaped it in the first place—the need for better advertising in a consumer-oriented economy. Dr. Wallace H. Wulfeck, chairman of William Esty Co., told the ARF meeting that the high costs of advertising are moving decisions for appropriations into highest management levels. "Top management more and more is demanding facts from our business." Research is the only way to get those facts. END



12 location sites for your new plant in Northeastern Ohio

ARE YOU LOOKING for a plant site offering economical transportation by railroad, highway and waterway, to the richest markets of the nation and the world?

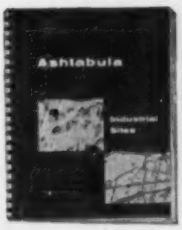
Twelve such choice plant sites are described and illustrated in our new brochure "The Greater Ashtabula Area."

With these plant sites you get the advantages of the excellent transportation facilities of the New York Central Railroad. Completion of the St. Lawrence Seaway and improvements under way at Ashtabula Harbor will strengthen the industrial importance of this area. The Conneaut-Cincinnati and Ashtabula-East Liverpool Freeways serving the region will link Ashtabula and Lake Counties with the principal industrial and market centers of Ohio.

Large tracts of available land, an unlimited supply of water from Lake Erie and an ample force of productive labor are additional advantages for locating a plant in the lakefront region of Northeastern Ohio.

New York Central also has additional plant sites available in this area as well as along the entire route of the New York Central Railroad. Let us help you find a *Central* location that meets your particular needs.

Send for illustrated brochure today— ***no obligation***



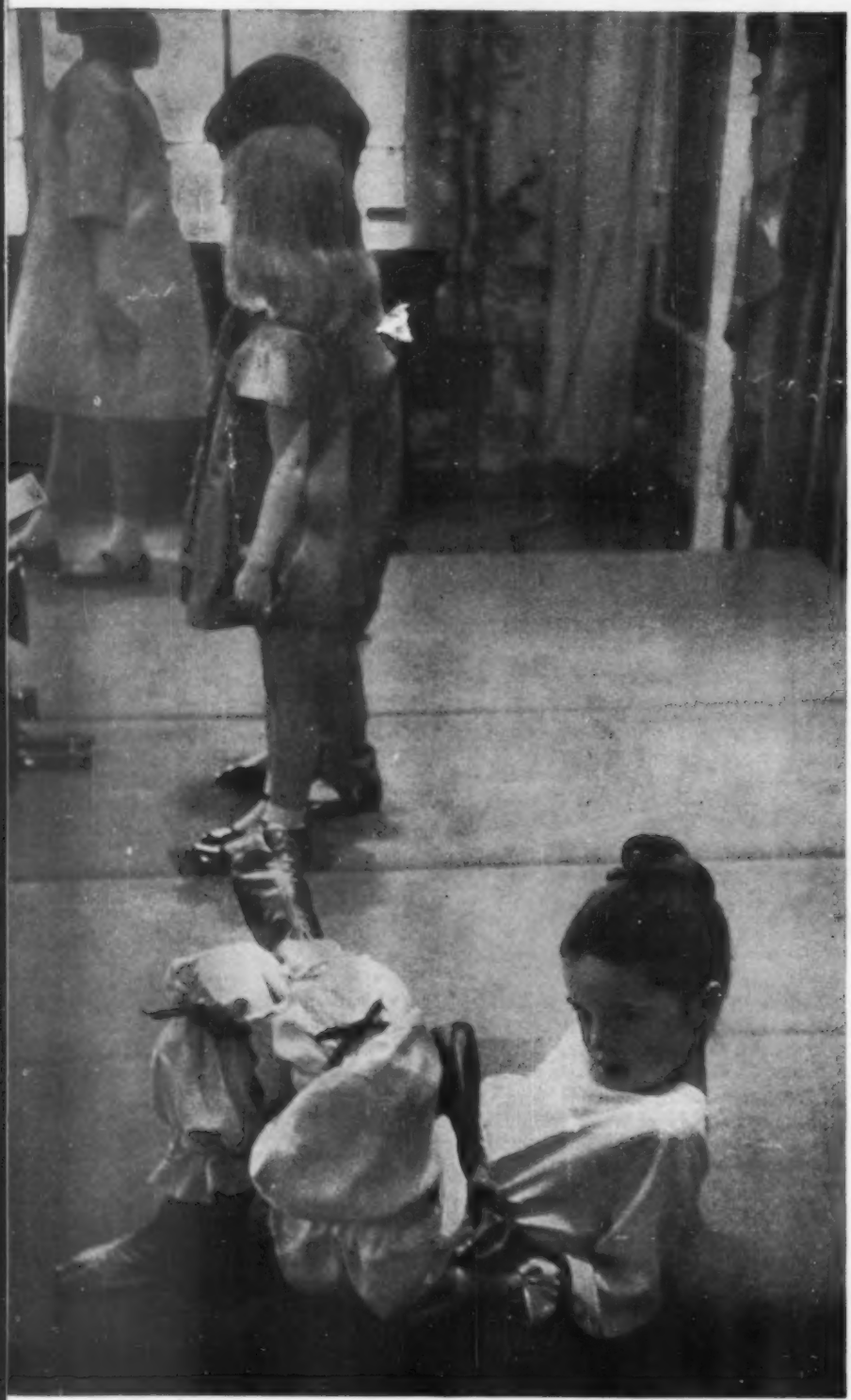
A copy of "The Greater Ashtabula, Ohio, Area Industrial Sites" brochure will be sent to executives, free of charge, when requested on a business letterhead. Write to: J. J. Dan, Manager, Industrial Development Dept. C, New York Central Railroad, Terminal Tower Building, Cleveland 13, Ohio.

New York Central Railroad

ROUTE OF THE "EARLY BIRDS"—THE ONE-DAY FASTER FREIGHT SERVICE

Small Fry Fall for Eastern Garb

Hess Bros. is featuring scaled-down adaptations of ceremonial robes and kimono jackets of Japanese couturiers.



MANIKINS AT EASE sport Japanese originals imported by Hess Bros. department store. Silk sleepsuit (foreground) sells for $85. Copies will retail at about $6-$8.

Last week in New York's St. Moritz Hotel, the fashion press had a look at something new in children's wear: original designs from the "haute couture" of Japan. The collection, bought by Hess Bros., Allentown (Pa.) department store, represents the first such showing of Japanese originals for tots and teenagers in this country.

The small manikins who trotted or swaggered down the showroom aisle obviously delighted in their Oriental finery: sun suits that were adaptations of ancient ceremonial robes, party dresses and kimono jackets of lame and brocade, brilliant silks and satins in tea greens and shinto reds.

But the audience saw something more. The exhibit said dramatically that Japan has more to sell the U.S. retailer than bargain basement novelties.

• **Return Trip**—This is not the first time that Hess Bros. has gone to Japan for high-grade ideas and merchandise. Two years ago, Max Hess, president, sent Gerry Golden, his fashion director, to Tokyo on the prowl for something new in fashion. Since then Golden has brought back two fashion collections for women and one sportswear collection.

Hess Bros. is as anxious as any other retailer to get merchandise that is different and exclusive in these days of mass production. And, like many other retailers, it is finding imports a likely solution to this problem (BW—Nov. 15'57,p114).

• **Rising Sun**—Japan looked like a good hunting ground to Hess for several reasons. The Oriental influence has already invaded the fashion world, through famous European designers; it has shown up in a diversity of home furnishings, furniture, and the like. Why not, Hess argued, go straight to the source instead of getting the ideas secondhand?

Furthermore, the active group of young Japanese designers turn out wares that cost far less than the productions of the Paris couturier. Prices of the original models at last week's show range from $60 to $150 at retail. Many people might figure that's more than plenty for children's wear. "But, if we had bought comparable clothes in Paris," says Golden, "we would have had to multiply that price by five at least." He underscored a point that U.S. retailers and manufacturers have been dinning on for several years:





PEEK-A-BOO BEACH HAT, inspired by hats of begging Buddhist priests, overshadows playsuit.



LUXURY FABRIC of traditional happi coat makes glamor playsuit for tots. This one is red satin.

COCOON SNOWSUIT bundles child to the chin. Original model retails at $100.


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for 60 Years



"Gee whiz, Dad . . . the company gave you a Hamilton!"

Dad isn't really a hero, genius or record-breaker. But he has been dependable and on the job for twenty years—and didn't have to wait 'til the end of the road to receive recognition. He's only 42 and has many good years ahead. And, *the company* will benefit, too, judging from the look on Dad's face when he said: "Most watches tell only the time, but my HAMILTON tells how they feel about me!"

A good Service Award Plan helps keep morale high . . . which is good for productivity *and* profits.

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". . . an importer from away back, Hess has quit buying in Paris since he discovered Japan . . ."

STORY starts on p. 52

Paris is in danger of pricing itself out of the market (BW—Feb.16'57,p68). Golden added a note that might strike ominously on Parisian ears. An importer from away back, Hess has quit buying in Paris since he discovered Japan.

• **New Leaf**—Here is where the real significance of last week's display lies. Japan's exports for years had black marks against them on the quality report cards. Yet, as Hess points out, the Japanese are capable of turning out as fine fabrics as you can find anywhere.

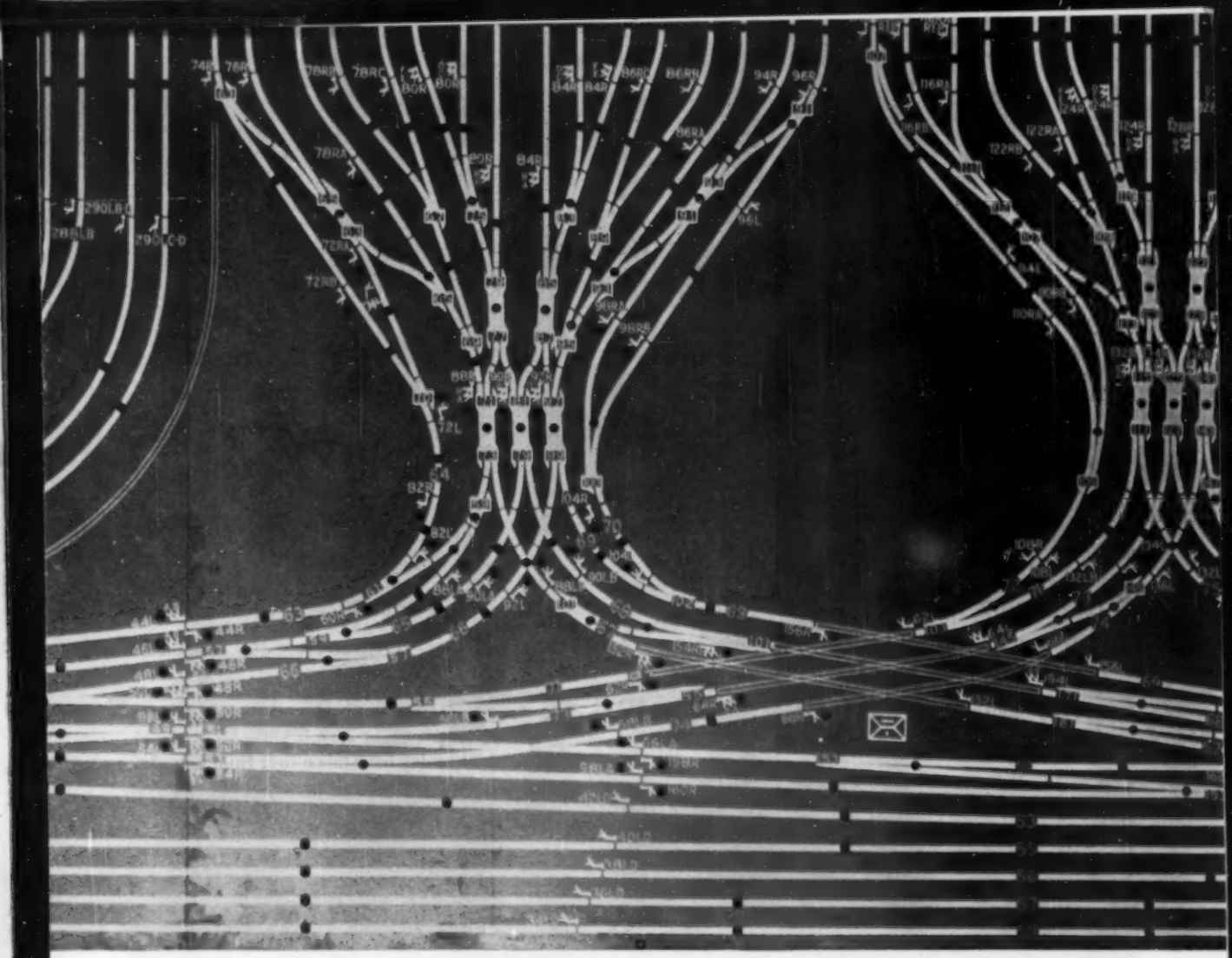
Japan has known for some time that it has a job on its hands to erase the notion that the stamp "made in Japan" means inferior merchandise. The representative of the Japanese Trade Commission in Los Angeles admits that his country's wares are still often used as loss leaders in U.S. stores. But he feels that the quality of its optical goods is opening the eyes of the U.S. market.

• **Response**—There are signs that U.S. retailers are responding. In Chicago, for example, where Japan is still the No. 1 country for imports to lower-priced stores and discount houses, higher-priced retailers, too, are heading more frequently for Japan for goods. A luxury Los Angeles store feels that Americans are getting a surprise in the caliber of Japanese cameras. A big Boston store says that most of its Oriental goods wind up in its basement, but concedes that the Japanese are slowly upgrading the quality of their products.

• **Promotion Pays**—Naturally Hess Bros. plans to get its money's worth out of its latest collection. A store can often make good promotional hay out of a foreign line—as Macy's has done with its Italian fairs. Hess will take the children's clothes on a tour of Pennsylvania, New Jersey, and New York, show them at women's clubs, and the like.

Such doings fit right into Hess's usual promotional program. For some years it has taken its Fashion Caravan to its customers (BW—Nov.4'50,p46). The store puts on close to 300 fashion shows a year, Golden says.

Hess hopes—and expects—it will sell the originals, even at the fancy prices. Its previous Japanese collections have had an enthusiastic reception, it reports. The Allentown store has exclusive selling rights on the originals, for a four-month period. After that, Japanese manufacturers will sell copies at lower prices, not only to Hess but to a variety of other department stores. **END**



Modern railroad signal system control board

Take a tip from the railroad's big board:

Never take electrical power for granted!

Traffic is terrific on the railroads. Nowhere can you see it more graphically than on the Traffic Control boards, from which a handful of experts literally call the signals for an entire system.

The only links between these men and the trains they control are electronic and electrical circuits *that must not fail.* This means that only the most reliable, most long-lived, most exhaustively tested cables can go into these elaborate and crucial control networks.

Your cable requirements may or may not be as stringent as the railroads'. In any case, when you talk to Okonite you'll get an unprejudiced recommendation for your needs because Okonite, *and only Okonite,* makes cable by all four insulating methods: strip, dip, extrusion and taping.

Don't wait for expensive and dangerous electrical failures to find out that the only cable bargain is reliability.



For a frank, down-to-earth discussion on cable insulating methods, write for Bulletin BW-1106-I. The Okonite Company, Passaic, N. J.



where there's electrical power . . . there's **OKONITE CABLE**

4568

In Marketing

• • •

Processors Open a Campaign to Quash Linking of Solid Fats and Heart Disease

Edible fats and oils processors are mounting an industrywide campaign to combat publicity linking their products with heart disease. A seven-man temporary committee hopes to establish a permanent group to take over the job by Dec. 31.

Big guns in the proposed drive—which would include an Institute for Nutrition Education headed by a prominent doctor with the aid of a professional public relations counsel and an initial budget of $300,000—are Procter & Gamble, Lever Bros., and Swift & Co.

Processors are worried that unfavorable publicity will stampede companies into changing product formulas for fear of heavy sales losses. At issue are disputed findings of some scientists that soft, liquid fats (corn oil or olive oil) are less likely to cause heart disease than hard or solid fats (butter, lard, and shortenings).

Industry spokesmen say they will make changes in processing methods if a preponderance of informed medical opinion demands it—but that no such demand exists because of conflicting results by heart disease researchers.

Actually, say some companies, **the fat-and-heart disease controversy has had only "negligible" impact on sales so far.** One company, Corn Products Refining Co., has used the controversial issue in its national advertising to point up the alleged health advantages of corn oil, used in its Mazola salad oil. And Giant Food Stores, Inc., a Washington, D.C., supermarket, based a recent promotion for its Heidi bread line on the "hard" vs. "soft" fats issue, but the Food & Drug Administration forced a halt to the publicity.

• • •

Men Play First Fiddle in Picking Family Car, Says Magazine for Men

This week Fawcett Publications' True magazine unveiled its latest research blast at the idea that the male purchaser plays second-fiddle in family buying decisions—this time concerning the family car (BW—Sep.14'57,p46).

A study conducted by Daniel Starch and Staff and accepted by the Advertising Research Foundation came to these conclusions:

Overwhelmingly, it is the husband who initiates family talks that result in the purchase of a new car.

Brand choice, too, was the husband's, more than half of both husbands and wives agreeing that this was true.

The model—four-door, two-door, or station wagon—was pretty much a joint decision, with practical considerations such as whether a family has children taking priority.

Only in color and upholstery did the wives play a more important role than the men.

Obviously, the study results please True, which bills itself as "The Man's Magazine." It is determined to overcome the well-fostered notion of the women's magazines that the male at best participates in—but doesn't make—family purchase decisions.

But you can read one word of caution about the male as a final decider in this latest of a series of product studies by Starch. Researchers found that wives play an important negative role. A preponderance of the interviews showed that the husband had to do a major selling job to convince the wife of the family's need for the car. She (1) was consulted before he made a move and (2) often discouraged the purchase at the beginning.

• • •

Mom's Grocery Bill Is a Lot Bigger When She Takes Pop and the Kids Along

Women still dominate the family food marketing, but men and children are playing their part, too. This is the finding of a study by the University of Minnesota for Progressive Grocer magazine; graduate students interviewed 10,000 customers of Super Valu Stores to get the answers.

They report that 50 out of every 100 customers are women, 31 are men, and 19 are children. Couples shopping with children make the biggest purchase—an average $14.25; couples alone do next best, with $11.60, and a woman with a child spends an average $11.45.

Friday and Thursday have taken over from Saturday as the most popular shopping days—reflecting the impact of today's long weekend. The three days together account for 76% of total food purchases—and 25% of the week's business is done between 6 p.m. and 9 p.m. (The stores surveyed are closed on Saturday evenings.)

Some 73% of the shoppers live within two miles of the store; 27% live beyond that limit. Of the total surveyed, just over half come from within one mile; 11% live within a quarter of a mile. Nine-tenths of the shoppers drive their car to the store; the rest either walk or use public transportation. The farther the shopper travels, the bigger his average purchase.

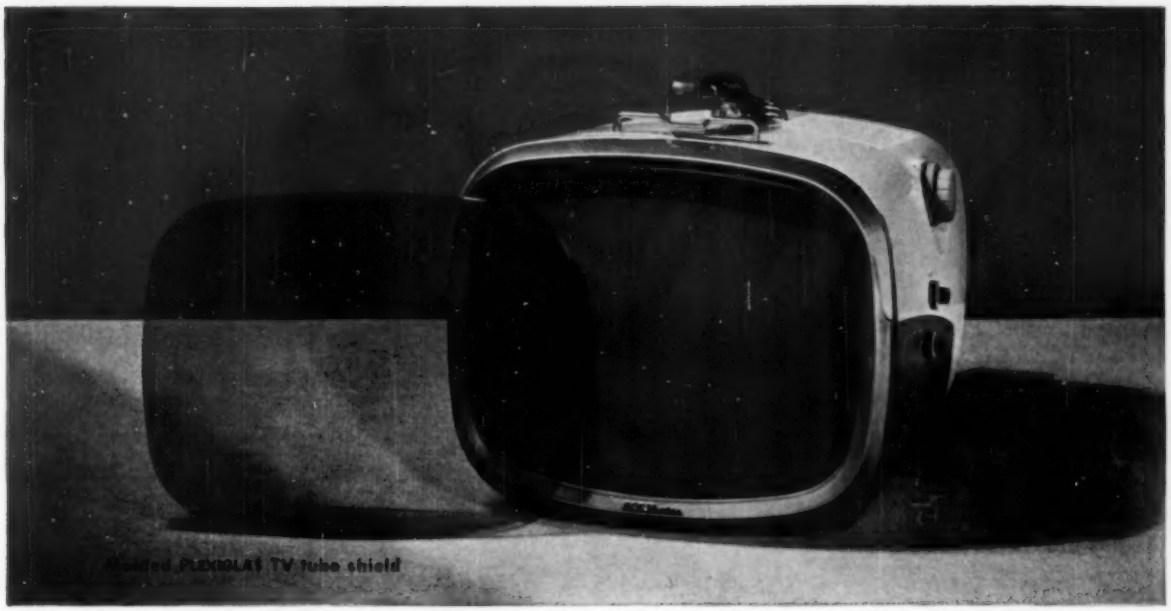
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French Adman Will Be Middleman For American and European Clients

Publicis, which says it is France's largest advertising agency, will set up a New York office early next year. Its president, Marcel Bleustein-Blanchet, reports that his will be the first French agency to have a U.S. office.

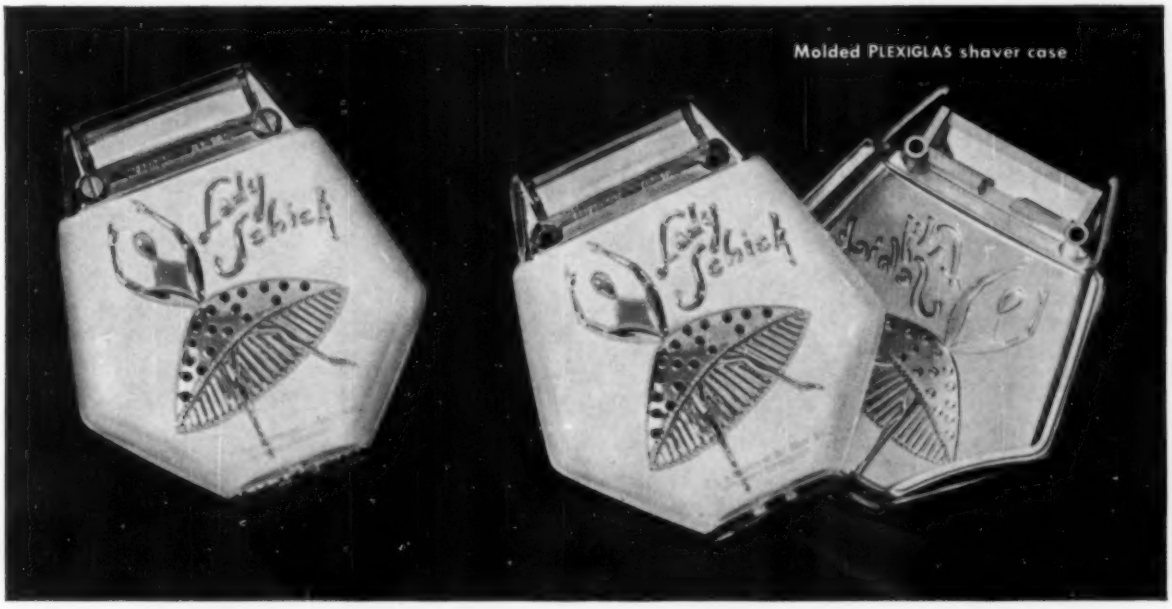
The U.S. organization will be a separate corporation, Publicis Corp. Its head will be French-born Bernard Musnik, who comes to Publicis from ZIV Television Programs, Inc.

A main reason for opening in New York now, says Bleustein-Blanchet, is France's need to develop export markets. **His company doesn't expect to compete with U.S. agencies on their home ground, he says.** Rather, it expects to bring to U.S. agencies European clients who want to crack the U.S. market—and to work with American agencies with clients who want to get into the European market.



Molded PLEXIGLAS TV tube shield

Plexiglas...hardworking and handsome



Hardworking in its durability—its resistance to impact, discoloration, dimensional change, heat, most chemicals, and prolonged outdoor weathering . . .

Handsome in its brilliant, gleaming colors—or water-white clarity that gives depth and sparkle to back surface paints and metallized coatings . . .

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Chemicals for Industry

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Representatives in principal foreign countries

Canadian Distributor: *Crystal Glass & Plastics, Ltd, 130 Queen's Quay East, Toronto, Ontario, Canada.*

This is a Package



...but this is an Ad!



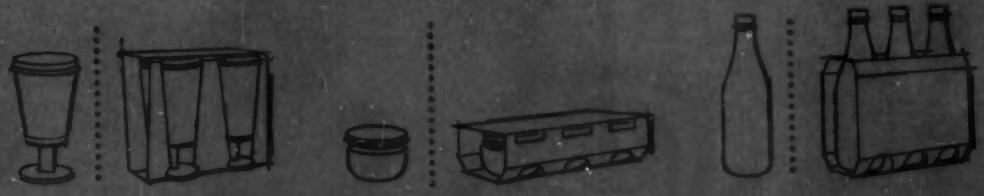
Now a revolutionary new Cluster-Pak® carton to merchandise your glass packs

Recently developed by the staff of engineers at Mead-Atlanta Paper Company, this Cluster-Pak carton offers glass packers the same eye-appealing point-of-purchase advertising already enjoyed by so many leading canned goods manufacturers. Back up the thousands, or millions of dollars you are spending in various media urging your prospects to specify your brand . . . with dramatic, on-the-shelf advertising that demands your package be carried home. And . . . an important extra . . . no other carton offers you the unequaled strength of famous Mead quality kraft . . . combined with the world's only self-locking construction that needs no glue.

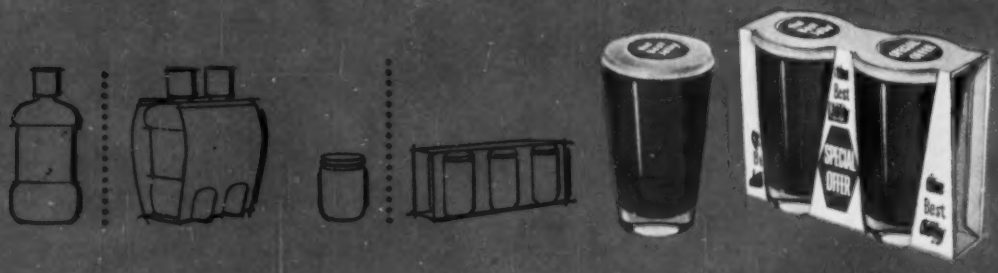
If you package your product



in glass, you can now adver-



tise it in Cluster-Pak®!...



From catsup to beer, coffee to peanut butter, baby food to cosmetics, drugs to detergents . . . whether you package your product in bottles, jars, or jugs . . . there is a Cluster-Pak carton specifically designed to meet your individual needs. For detailed information, call your Mead-Atlanta Paper Company representative today, or write to:

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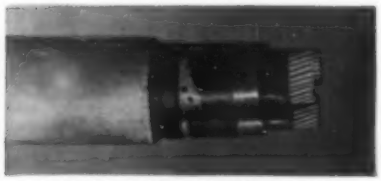
Where Packaging is Advertising

ATLANTA 2, GEORGIA



America's industrial plants are expanding and modernizing at a rapid rate. And with this trend, more and more are going to Anaconda high-voltage cable!

Cable that helps growing plants use low-cost high voltage



Anaconda Type CB cable with paper insulation, carbon-black tapes and lead sheath.

Electric cable is a lot like water pipe. A small pipe with low water pressure produces only a trickle of water. A small cable at low voltage permits only limited power.

Thus – as factory loads skyrocket – plants must use cables of bigger and bigger capacity, with higher and higher voltage, for efficient operation.

High-voltage distribution–5,000, even 15,000 volts – means more economical performance from motors, lights, furnaces, and other electrical equipment. And, with it, plants are ready for more growth in the future.

To help make high-voltage operation fully efficient, Anaconda engineers have developed arm-thick cables insulated with oil-impregnated paper, covered with special carbon-black tapes, and sheathed in Anaconda F-3 alloy lead.

The carbon-black tapes adsorb impurities that build up in ordinary high-voltage cable as a result of heat and electrical stress. This keeps the cable young on the inside! The superior alloy-lead sheath resists fatigue, creep and abrasion–protects the cable on the outside. Result: this Anaconda cable lasts as long as it's needed, and gives plants the service reliability they must have.

The Future: Helping industry satisfy its constantly growing needs for electric power is only one way Anaconda can serve you. For Anaconda and its manufacturing companies – The American Brass Company and the Anaconda Wire & Cable Company–offer a complete line of copper and copper-alloy mill products for almost every use, and electric wire and cable, both copper and aluminum. Whatever your problem, call the Man from Anaconda. The Anaconda Company, 25 Broadway, New York 4, N. Y.

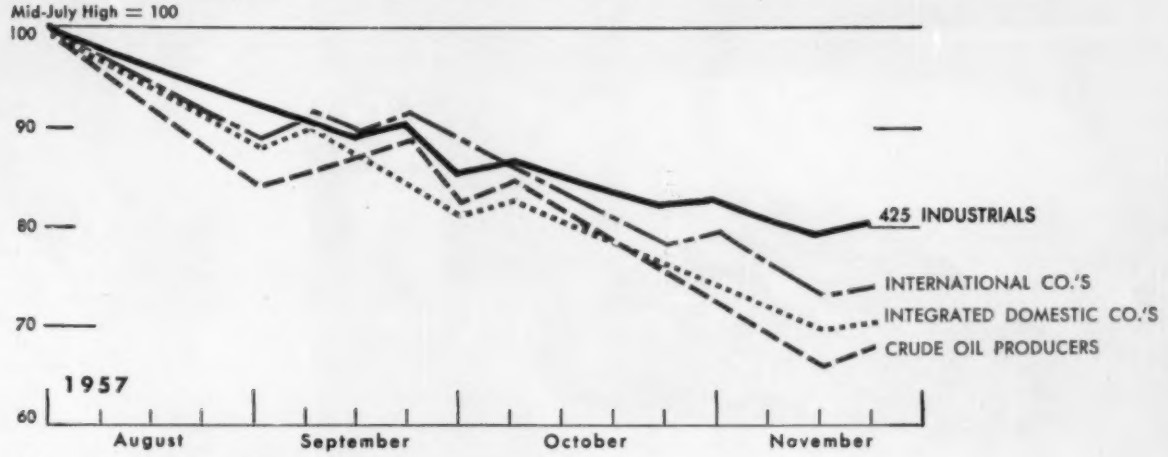
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ANACONDA®

ANACONDA WIRE & CABLE COMPANY—THE AMERICAN BRASS COMPANY

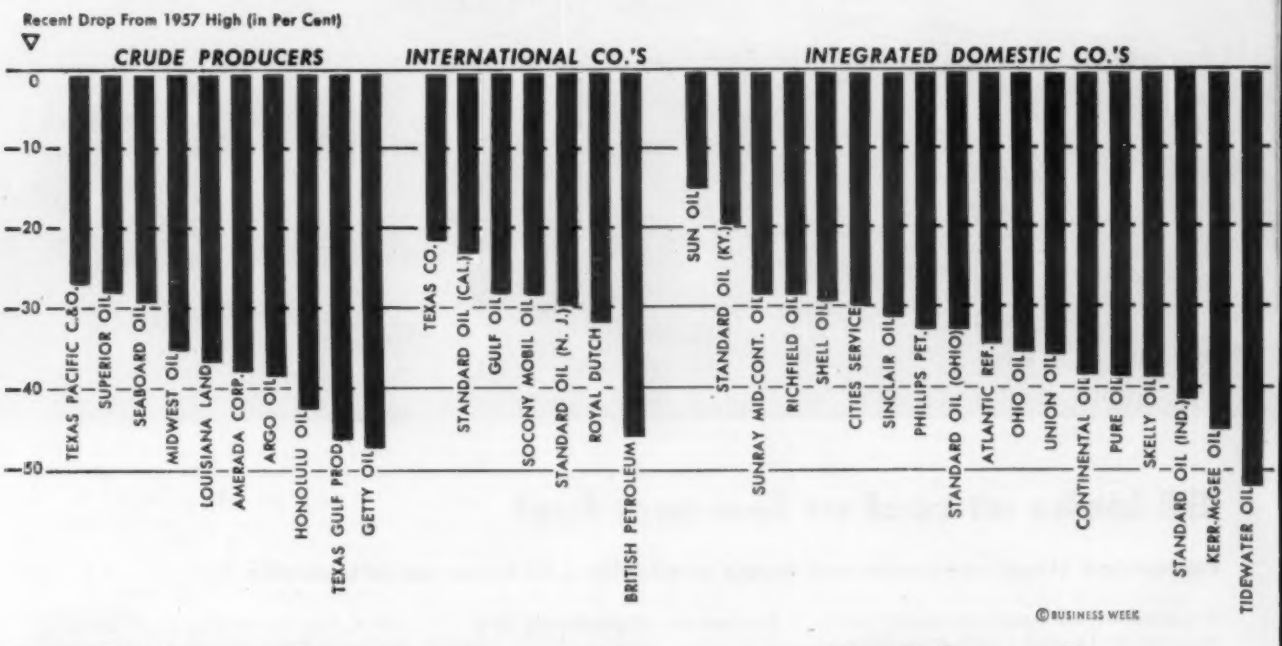
OIL STOCKS in the Recent Bear Market

They've proved weaker than industrials generally and . . .



Data: Standard & Poor's Stock Price Indexes.

. . . Many have had mighty sharp individual drops



Still in the Post-Suez Sickbed

As the charts above make plain, in recent months the deportment of oil stocks in the market has been as black as the fuel itself. Every major segment of the oils group has declined in price markedly more than the stock market in general. Last week, Standard & Poor's average of 425 industrial stocks stood almost 20% below its mid-July bull market high of $53.30, but the oils had dropped even farther—the crude producers' securities 31.3%, integrated domestic company shares 29.5%, and shares of the international companies 25.5%.

With the stocks in this plight, even professional traders found it hard to exercise the "selectivity" that Wall Street investment counselors had been advocating for more than a year. The losses in individual issues from their 1957 highs ranged from 14.6% for Sun Oil to 51.5% for Tidewater. Of 35 major oil companies, only Sun's and



GE looks at coal as low-cost fuel

For low-cost steam generation and supply availability, GE burns coal in Louisville

To generate all steam necessary for process work and heating requirements at General Electric's Major Appliance Division in Louisville, Ky., GE's power plant burns coal the modern way. Coal was chosen after a fuel cost survey disclosed that, in the Louisville area, coal would give GE the lowest-cost steam generation of all fuels. In addition, mechanization of GE's power plant has facilitated coal handling and ash removal while overcoming the possibility of air pollution.

Consult an engineering firm

If you are remodeling or building new heating or power facilities, it will pay you to consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—can effect great savings for you in efficiency and fuel economy over the years.

Facts you should know about coal

Not only is bituminous coal the lowest-cost fuel in most industrial areas, but up-to-date coal burning equipment can give you 10% to 40% more steam per dollar. Today's automatic equipment can pare labor costs and eliminate smoke problems. And vast coal reserves plus mechanized production methods mean a constantly plentiful supply of coal at a stable price.

For additional case histories on burning coal the modern way or for technical advisory service, write to the address below.

BITUMINOUS COAL INSTITUTE • Southern Building, Washington 5, D. C.

Kentucky Standard's shares held up better than the market as a whole—and not much better, at that.

• **Common Complaint**—The nation's oil companies have some special problems. Broadly speaking, one of these is a temporary inbalance in which supply has outstripped demand. This has pushed inventories to staggeringly high levels, forced production cutbacks, and caused price weakness in refined products. The result: The beginnings of a break in the long-term upward earnings trend.

When oil stocks fall into disfavor with the investing community, the entire list of securities feels the impact, because only agriculture and combined public utilities exceed the petroleum industry in total assets. Oil equities account for roughly 20% of the market value of all domestic common stocks listed on the New York Stock Exchange.

I. Suez and After

One unexpected setback hit the oil business this year—a slowdown in domestic demand for oil. The industry had been accustomed to a growth rate of better than 5% annually, but last year domestic demand rose only 3.5%, even though business activity was humming along at high levels. And industry forecasters expect demand to climb less than 2% this year and barely to creep over 3% in 1958.

• **Output Controls**—Oil industry production is controlled more by various state government agencies than by the producers themselves. The Texas Railroad Commission, for example, determines how many barrels of oil the state's crude producers may take out of the ground each month. And now the federal government has added some restrictions of its own on foreign crude oil imports. And while these agencies are quick to sense changes in demand, by the time they act, production may have already outstripped demand.

This fact of oil life is particularly painful this year. When the Suez crisis shut off supplies of Middle East Oil, the domestic industry quickly accelerated fuel production. By March, crude output was at a peak of 7.7-million bbl. a day to meet the emergency export requirements.

Then the Middle East situation began to clear, and desert oil flowed once again. The recovery came with unexpected speed, and, together with the persistent decline in domestic demand, this pushed inventories of crude oil and petroleum products higher and higher.

• **Brighter Days**—Now, however, a number of bright spots are glinting through the haze. The industry is finally reducing domestic production. October's crude output averaged 6.7-million bbl. daily, 13% below the March rate and the lowest since September, 1955. Refinery runs are slowing. Oil imports are being cut "voluntarily" under Uncle Sam's prodding. One problem is that oil from such giant pools as the Kuwait and Saudi Arabia fields can be brought to the East Coast for less than domestic oil can. And as the cost of new U.S. wells climbs, foreign oil finds it easier to grab a bigger share of the U.S. market. Following the Suez crisis, imports of crude from the Middle East began to swell enormously. Then, in late July, Pres. Eisenhower called on U.S. companies to reduce their imports under a voluntary program.

This was tried once before. In February, 1955, the Cabinet Fuels Policy Committee said imports from then on should not "significantly exceed" the 1954 ratio of imports to domestic production. But too many companies simply didn't comply. This time, the voluntary restrictions are working—at least so far. Last month's crude imports were below the levels recommended by the government.

II. Effects on Earnings

The glut of oil supplies has damaged the earnings of every segment of the industry. An 11% price hike gave domestic producing companies some relief in early January. But the rise was a blow for the refiners. With a weaker market for their products, the refiners had to push prices down. As a result, the "spread"—the difference between the price refiners pay for crude and the price at which they sell their products—is now at around $1.01 per bbl., compared with $1.19 in February.

In most other industries, price cuts stimulate demand—but not so in petroleum. Petroleum demand rests mainly on general economic activity and the weather.

• **Unhappy Quarter**—The industry's troubles hit earnings hardest in the third quarter. Profits of 30 major companies were down about 5.4% in that period. This looks even blacker by comparison with the first quarter, when earnings were up more than 18% from a year previously. And in the second quarter profits were still up more than 10% over the same period in 1956.

• **Cold Winter, Warm Heart**—With prospects for only small gains in sales next year, the industry has hopes for a better showing in one area. A cold winter could warm its heart. Last year's mild winter sliced demand for heating fuels; chill winds this year would up fuel consumption. So far, the weatherman has cooperated. The period from Sept. 1 to Nov. 16 was colder around the nation than the same weeks of 1956.

Year-to-year comparisons for the industry as a whole are misleading right now because of Suez. Most oilmen say it won't be until mid-1958 that undistorted comparisons can be made. The companies that benefited from the abnormal demand during Suez look bad now. By the time the second half of 1958 begins, say the oilmen, the statistics will be much pleasanter to read. They expect inventories to be down to more manageable size and production to be more in step with demand.

III. The Industry's Prospects

The industry is confident that its problems are only temporary, and Wall Streeters agree that it's now going through a relatively minor jiggle in its long-term growth trend. Historically, oil has been meeting more and more of the nation's needs for energy, and this pattern is expected to continue. The Chase Manhattan Bank, for example, predicts that the total supply of energy in the U.S. will rise from 42.1-quadrillion BTUs in 1956 to 61.3-quadrillion BTUs by 1966—and that petroleum will account for more than 60% of the growth.

Oil's major competitors now—and for at least the next decade—are coal, natural gas, and water power. The industry doesn't expect nuclear energy to be a significant rival, for 10 years anyway. Even if the electric utilities turn to nuclear fuel en masse, it would have little effect on the demand for petroleum, because the utilities consume relatively little oil even now.

• **Slower Growth**—Oil is so popular because it's easy to transport and can be used for so many different purposes. And population growth, the expansion of economic activity, and the development of new uses combine to point toward a bright future. However, oilmen admit that the growth rate may diminish in years to come. Autos are coming to use gasoline more efficiently, and the economical small cars seem destined to make a bigger dent in the U.S. market. The railroads are almost entirely dieselized already, and natural gas is winning some of the other business once exclusively oil's.

In the future, supply is likely to be more of a problem for the industry than demand. It's becoming harder to find new oil reserves in the U.S., and exploration costs are rising.

On balance, the long-range view held by Wall Street students of the oil stocks is bullish. Despite the recent sharp price drop in the oils group, the big institutional long-term investors are clinging to their normally strong positions in oils—and are still doing some buying. Streeters feel the market has discounted most of the oil industry's troubles and that the group is near the bottom of its decline. **END**



For jobber salesmen incentives and dealer premiums, no prior commitments or inventories are necessary when using **VAN HEUSEN®** men's wear.

FOR OTHER DETAILS WRITE TO PREMIUM SALES DIVISION, PHILLIPS-VAN HEUSEN CORPORATION, 417 FIFTH AVENUE, N.Y. 16, N.Y.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue — November 20, 1957

$60,000,000

Olin Mathieson Chemical Corporation

5½% Convertible Subordinate Debentures
due November 15, 1982

Convertible into Common Stock at $50 per share on or before November 15, 1972, and $55 thereafter, conversion prices being subject to adjustment under certain circumstances.

Price 100%
plus accrued interest from November 15, 1957

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc. — Eastman Dillon, Union Securities & Co.

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Alex. Brown & Sons — Glore, Forgan & Co. — Harriman Ripley & Co. Incorporated — Hayden, Stone & Co.

Kidder, Peabody & Co. — Stone & Webster Securities Corporation — Dean Witter & Co.

Wall St. Talks . . .

. . . about some salt on rumors' tail . . . record security sale . . . expected drop in copper . . . shots in market's arm.

With boardroom rumors running wild, one Streeter suggests that prudent people remember Lord Keynes warning that "the laws of arithmetic are more reliable than the winds of rumor."

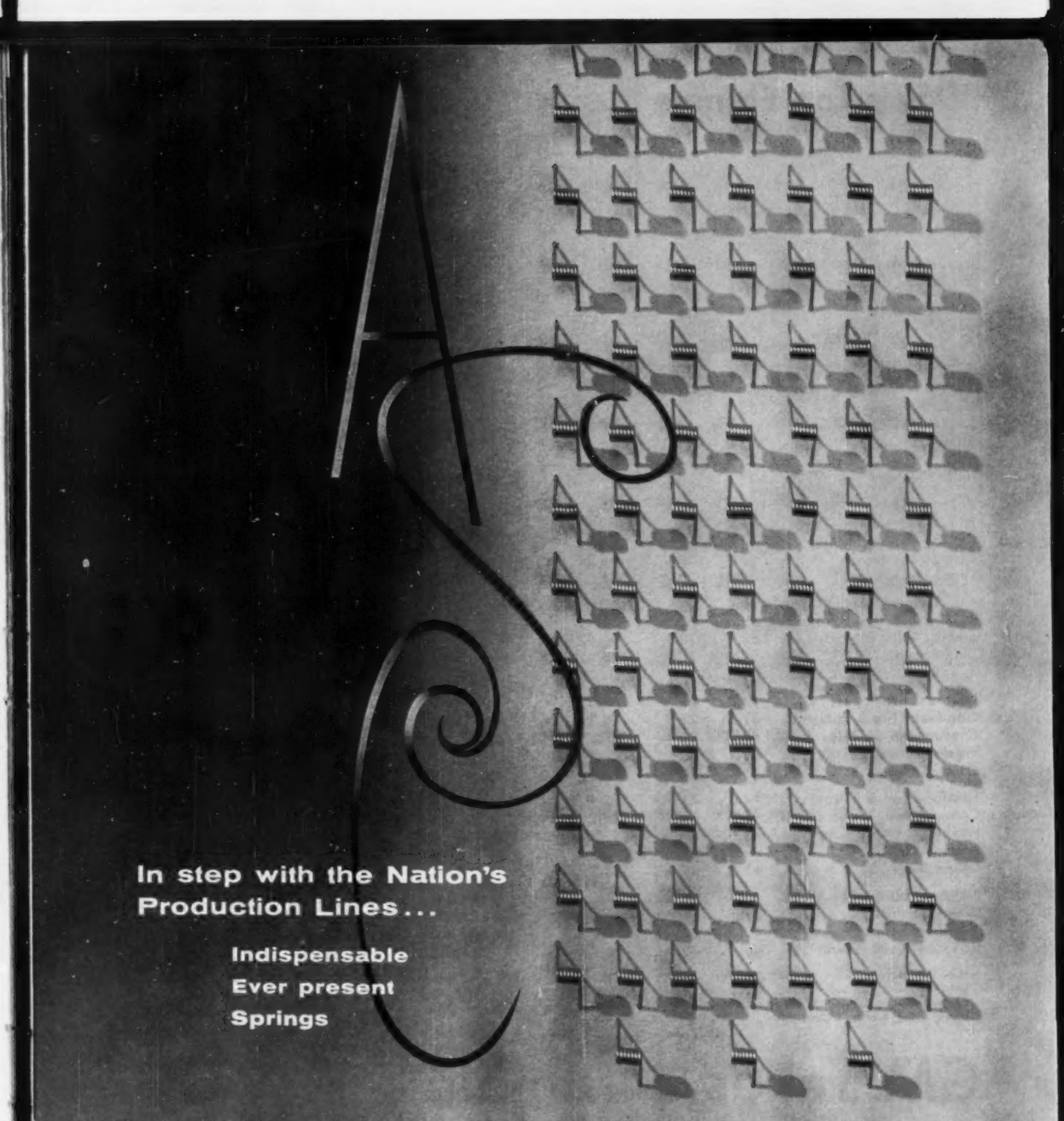
The biggest-ever sale of corporate securities is coming in February when American Tel & Tel offers to stockholders $720-million in new convertible debentures (BW—Nov.23'57,p56). Only other deals in the same league were Mother Bell's 1955 offering of $637-million of similar bonds, and the Ford Foundation's sale of $658-million worth of its Ford Motor Co. shares early in 1956.

Copper prices are likely to go still lower during the recession, some analysts believe. They point out that the recent 27¢-a-lb. price charged by domestic producers is between 2¢ and 4¢-plus higher than prevails elsewhere in the world. They don't believe such a wide differential can be maintained long unless there is a real upturn in U.S. demand. And they add that all this explains why Kennecott Copper shares are selling 42% below their 1956-1957 high, while Phelps Dodge is off 46%, Anaconda 50%, Miami Copper 57%, Copper Range 72%, and Magma Copper 74%.

Two shots in the arm for the market were noted by Streeters recently: (1) a before-the-opening flash from a brokerage house, advising clients to reinvest a third of their cash reserves because a turn in the market was visible, and (2) a report from a counseling service citing the rise in short sales by odd lot traders. This rise was interpreted as a buy signal, on the often-disputed theory that most odd lot traders usually guess wrong.

Prospects for steel shares look bearish to some Streeters, who expect no real upturn in that vital sector of the economy before late 1958.

Brokers loans in October took their steepest monthly tumble in five years, dropping off 15% to below $2-billion. At their 1957 high—at midyear—they were $2.4-billion; in October, 1957, the figure was $2.3-billion. The market's sharp drop is to blame, of course, since it reduced the funds needed to finance margin trading on the Big Board.



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1957's Top Earners . . .

JANUARY-SEPTEMBER EARNINGS
(In Millions)

	1957	RANK	1956	RANK	CHANGE: 1957 vs. 1956
Standard Oil (N.J.)	$660.0	1	$603.0	2	+ 9.5%
The Bell System	*623.8	2	*550.5	3	+ 13.3
General Motors Corp.	603.4	3	639.6	1	− 5.6
United States Steel	329.0	4	243.3	5	+ 35.2
E.I. duPont de Nemours	301.0	5	280.6	4	+ 7.3
Gulf Oil	#252.0	6	214.0	6	+ 17.8
Texas Co.	243.1	7	207.4	7	+ 17.2
Ford Motor	229.5	8	145.2	11	+ 58.1
Standard Oil (Cal.)	211.8	9	190.4	8	+ 11.2
Socony Mobil	183.0	10	183.0	9	—
General Electric	183.0	11	160.7	10	+ 13.9
Bethlehem Steel	143.8	12	99.7	16	+ 44.2
Standard Oil (Ind.)	113.9	13	115.0	13	− 1.0
Shell Oil	105.8	14	100.1	15	+ 5.6
Union Carbide	103.6	15	106.3	14	− 2.5
Chrysler Corp.	103.6	16	6.3	—	+1551.4
Phillips Petroleum	74.2	17	71.6	17	+ 3.7
Republic Steel	73.0	18	55.8	23	+ 30.8
Eastman Kodak	65.7	19	61.0	22	+ 7.7
Kennecott Copper	65.0	20	116.0	12	− 44.0
Intl. Business Machines	62.4	21	49.2	25	+ 26.7
Aluminum Co. of America	59.6	22	69.5	18	− 14.3
Sinclair Oil	#58.9	23	#66.0	21	− 10.8
Union Pacific	55.4	24	54.8	24	+ 1.1
R. J. Reynolds Tobacco	54.3	25	40.0	37	+ 35.7
International Paper	54.0	26	67.3	20	− 19.9
Goodyear Tire & Rubber	51.6	27	45.3	28	+ 13.8
Chesapeake & Ohio	49.2	28	47.8	26	+ 3.1
Westinghouse Electric	49.1	29	D 1.4	—	—
Cities Service	45.7	30	43.5	30	+ 5.0
Firestone Tire & Rubber	**44.6	31	**42.9	32	+ 3.9
Consolidated Edison (N.Y.)	43.8	32	42.2	34	+ 3.8
Pittsburgh Plate Glass	43.6	33	42.8	33	+ 1.9
Armco Steel	#43.3	34	#43.2	31	+ 0.2
Inland Steel	43.1	35	35.5	—	+ 21.6
National Lead	42.7	36	41.5	35	+ 2.9
Dow Chemical	*42.6	37	*43.6	29	− 2.3
American Tobacco	*40.5	38	39.0	—	+ 4.0
Commonwealth Edison	40.4	39	36.7	—	+ 10.2

N.B. This table is based on published first 9-month earnings reports. Some companies not yet publishing such reports may rightfully belong in it, including Pacific G. & E. and Sears Roebuck among others. *9 months ending Aug. 31. **9 months ending July 31. # Excludes nonrecurring profits. D Deficit.

©BUSINESS WEEK

GM Takes a Tumble

Auto maker, dethroned as top earner, falls to third spot in general reshuffle among upper-bracket nonfinancial companies.

General Motors Corp.'s long reign as the biggest earner of all among the nation's nonfinancial corporations has finally come to at least a temporary end.

GM's laurel-shearing was no gentle affair, either. The Detroit titan has been rudely pushed back into third place in this year's edition of the national corporate earnings sweepstakes (table). Not only has Standard Oil (N. J.), perennial runner-up for the top spot, taken over finally as Mr. Big. Second place has been grabbed by the Bell System, ancient holder of the No. 3 spot that GM now occupies.

Even that doesn't tell the whole story—the turn of events is far more momentous than appears on the surface. As recently as the January-June, 1955, period, for example, GM's net actually equaled the combined net income of the two companies that have now forged ahead of it in earnings.

• **Shake-Up Down the Line**—Behind these sharp shifts in top rankings, of course, is the increasingly mixed earnings trend that has shown up lately in more and more trades (BW—Nov.2'57, p48). The effects of this trend aren't limited to the traditional Big Three among earners. There has been more reshuffling than has been seen in many a day in the earnings rank of a great many others among the country's most lucrative nonfinancial businesses.

Nowhere is this more apparent than in the ultra-elite group listed in the table—the trade and industry leaders able to boast of earnings in the better-than $40-million bracket in the first nine months of 1957. Of the 39 entitled to membership, 32 show year-to-year changes, often drastic, in their rankings—18 have moved upward, 14 downward. There are also a number of noteworthy absentees and newcomers when the current membership is stacked up against that of a year ago.

• **Shifting Trends**—The most important changes in ranking have been touched off by the sharp shifts in earnings trends of the auto, oil, steel, and nonferrous metals industries—both for industries as a whole and within the groups. Some examples:

• While GM's earnings drop has sent it tumbling from first to third spot, Ford Motor Co.'s substantially better-than-1956 earnings have shot it up to eighth place from 11th a year ago. Chrysler Corp., with an even greater 1957 earnings advance, is also back in a high place in the charmed circle, after a year's absence.

• Steel resumes its traditional prominence in the list of the nation's top corporate winners, thanks to the absence of the strike troubles that put a crimp in 1956 profits.

• The 1957 nosedive in earnings in the nonferrous metal industry has naturally thinned its membership in the top-earnings club. Kennecott Copper tumbled into the 20th slot from the 12th ranking it enjoyed a year ago, and Aluminum Co. of America skidded from 18th to 22nd place. Anaconda Co. and Phelps, Dodge fell off the bandwagon entirely.

• **Industry Rank**—Once again the oil business, with 10 names on the list, leads all other industries in the number of members in the exclusive club. Steel comes second, with five, followed by the auto and chemical industries with three representatives apiece. Industries with a pair of members each include electric power producing, electric equipment, nonferrous metals, tobacco, and railroads. END



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Something new for Chessie

Wherever you look along Chesapeake and Ohio's 5,100 mile system, big things are happening.

Newest for Chessie is the world's most modern bulk cargo unloading facility at Newport News, Virginia, just completed to speed the growing flow of import ores. On an average day this year, eleven hundred coal cars are emptied at Newport News into ships bound for coal-hungry Europe. Now, many of these are returning inland loaded with ore for America's steel and chemical industries.

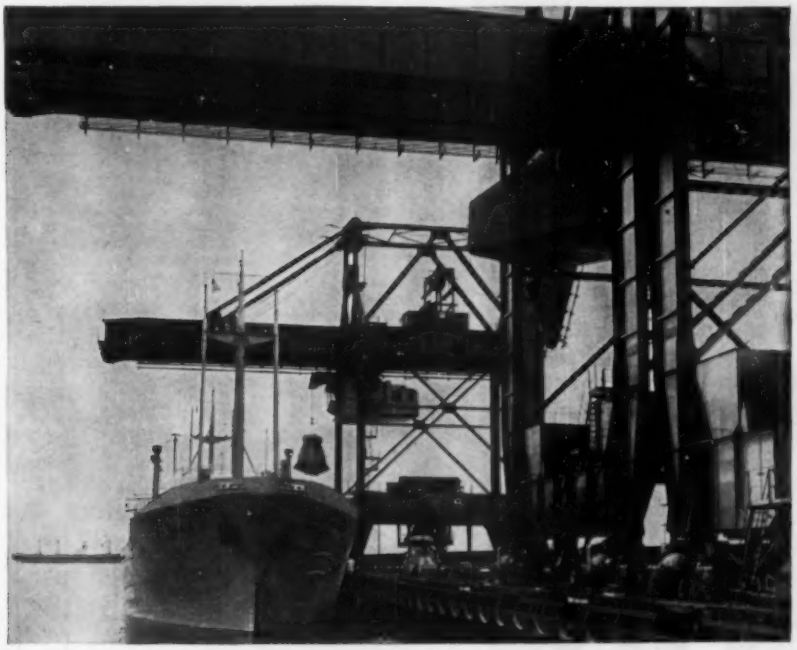
Another big development is C&O's new Car Location Information Center—CLIC for short—which sorts and relays to all C&O traffic offices the system-wide teletype reports shippers need to maintain efficient production and merchandising schedules.

New automatic yards and signal systems help to speed freight on almost-passenger schedules. And mechanized track crews ceaselessly groom the roadway on a regular maintenance program that keeps Chesapeake and Ohio practically a new railroad.

New factories are sprouting in cornfields. New coal mines are opening up. And so that shippers will have them when they need them, thousands of new freight cars are being added to its present fleet of 95,300 as Chessie's railroad keeps growing and going.

Think of these things when you are routing a shipment or locating a new plant. They add up to fast, efficient transportation service and a railroad which keeps its thinking in tune with the future.





The three towers of the huge new $8½ million ore pier at Newport News can unload a 10,000 ton ship between breakfast and lunchtime.

Chesapeake and Ohio Railway

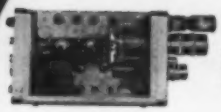
3804 TERMINAL TOWER, CLEVELAND 1, OHIO

LOOK AHEAD

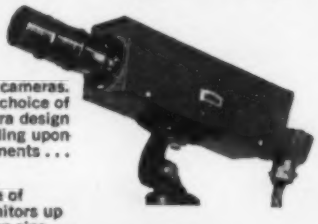
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FINANCE BRIEFS

Mortgage credit available in 1958 for home buying should total $26.5-billion, 8% more than in 1957, estimates Harold P. Braman, executive manager of the Savings & Loan League.

•

Others don't seem so sure more mortgage money will be available. According to Howard J. Tobin, mortgage loan vice-president of Northwestern Mutual Life Insurance Co., institutions supporting the mortgage market will have less funds to invest in 1958 than this year. He says his own company's 1958 over-all bond and mortgage investments will drop $200-million below their 1957 level.

•

Recent dividend cuts: Pennsylvania RR has cut its quarterly common dividend rate from 35¢ a share to 20¢; Texas Gulf Sulphur will pay only 25¢ vs. the 50¢ rate formerly in vogue; Missouri Pacific is only paying 60¢, compared with earlier quarterly payments of 75¢; Grumman Aircraft will pay only 25¢ against 50¢; Bulova Watch has cut its rate to 25¢ from 30¢ and isn't repeating last year's 20¢ "extra"; American Writing Paper will only pay a 40¢ extra instead of 1956's 75¢ yearend payment.

•

Rail carloadings in the week ended Nov. 16 skidded 15.3% under their year-earlier level and lagged 15.5% behind the similar 1955 total. According to the Assn. of American Railroads, the latest year-to-year drop is the largest recorded in any week since late August 1954.

•

Canada's high borrowing rates are reflected in the 6¼% coupon rate General Motors Acceptance Corp. of Canada was forced to accept to sell a $15-million issue of 20-year debentures (unconditionally guaranteed by parent GMAC and made noncallable for refunding purposes for 10 years).

•

October fire losses totaled some $77.8-million, estimates the National Board of Fire Underwriters. That's 7.6% higher than in the previous month, but 4.2% less than was reported in October, 1956. January-October losses climbed to $865.4-million, 5.4% above their similar 1956 level.

•

The cost of inflation, reports the government's Office of Business Economics, totaled some $13-billion in January-October 1957. Gross National Product, it figures, rose $3-billion in the first quarter, $5-billion in the second quarter, $5-billion in the third quarter. OBE estimates that virtually all this increase represented higher prices.

CHECK COLLECTIONS

Guaranty Regional Clearing Plan Reduces Companies' Check "Float"

Collection Method Helps Treasurers Save Time and Cut Credit Risks . . . Makes Funds Available More Quickly.

One big problem every company treasurer faces today is the problem of converting his receivables into available funds *in less time.* This is particularly true in the case of a company doing business over a widespread area.

Conventional methods (see chart) leave much to be desired in the way of speed. Each check received by a company must go through a procession of steps. And in many companies, monthly peak load periods often mean longer "float" time, plus the cost of clerical overtime to handle the greater number of items.

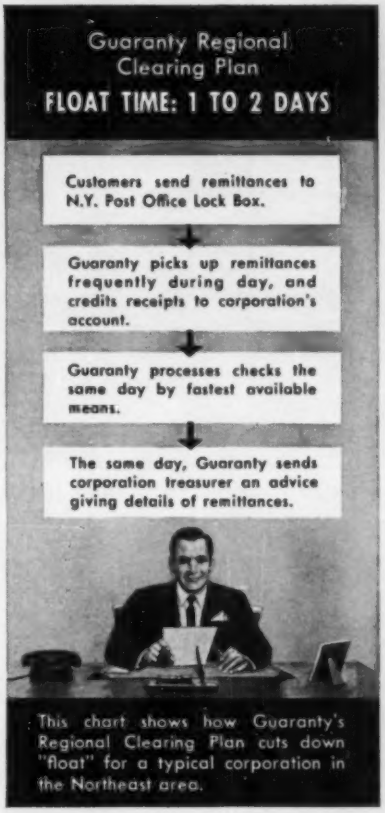
Since anywhere from one to four days of "float" are involved, the treasurer must wait that long to learn of dishonored checks; he must also wait that long before his floating remittances are available for use.

The Guaranty Regional Clearing Plan, by streamlining the entire check collection system, offers these specific advantages:

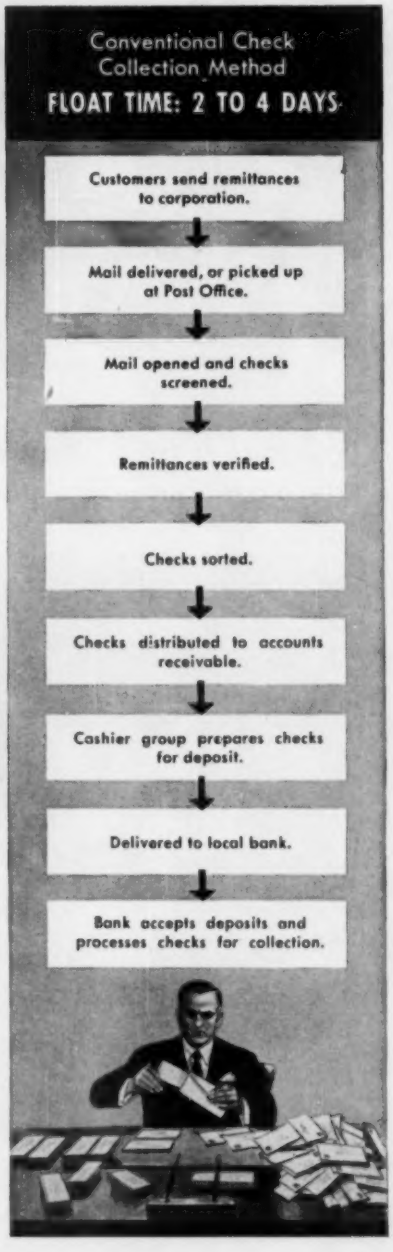
1. A saving of one or more days of "float" for customer remittances. Customers in Northeast area, for example, would mail checks to a New York Post Office Lock Box, which is serviced at frequent intervals during the day by Guaranty. Checks are credited to corporation's account, and Guaranty prepares checks for presentation by the fastest available method.

2. Elimination of peak load work problems. All processing operations are handled by Guaranty. Treasurer receives daily advice, giving details necessary to reconcile outstanding accounts receivable.

3. Reduction of credit risks. Cutting down check presentation time means that the treasurer has quicker knowledge of weak credit situations.



This chart shows how Guaranty's Regional Clearing Plan cuts down "float" for a typical corporation in the Northeast area.



Variations of Guaranty's Regional Clearing Plan procedure can, of course, be tailor-made to suit a company's individual requirements. If you would like to learn more about the Plan and how it works, we'll be happy to send you additional information. Simply write for a copy of *"Sales Dollars into Available Dollars in Less Time."* Address Dept. BW-12.



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MANAGEMENT

Clark Muscles Into Earth Moving



FORK-LIFTS have been one of Clark Equipment Co.'s mainstays for years—and still are. But now the company is making a name for itself in construction machinery as well.

Fork-lift maker bulldozed its way into construction machinery by starting from scratch, trying to "outspec" competition.

At the big road builders' show in Chicago last September, the first in seven years, one of the biggest blocks of space was pre-empted by an outfit that might have rated a booth at earlier shows—Clark Equipment Co. But then, this upstart in what is probably the most competitive of heavy industries has been upsetting a few other traditions, too.

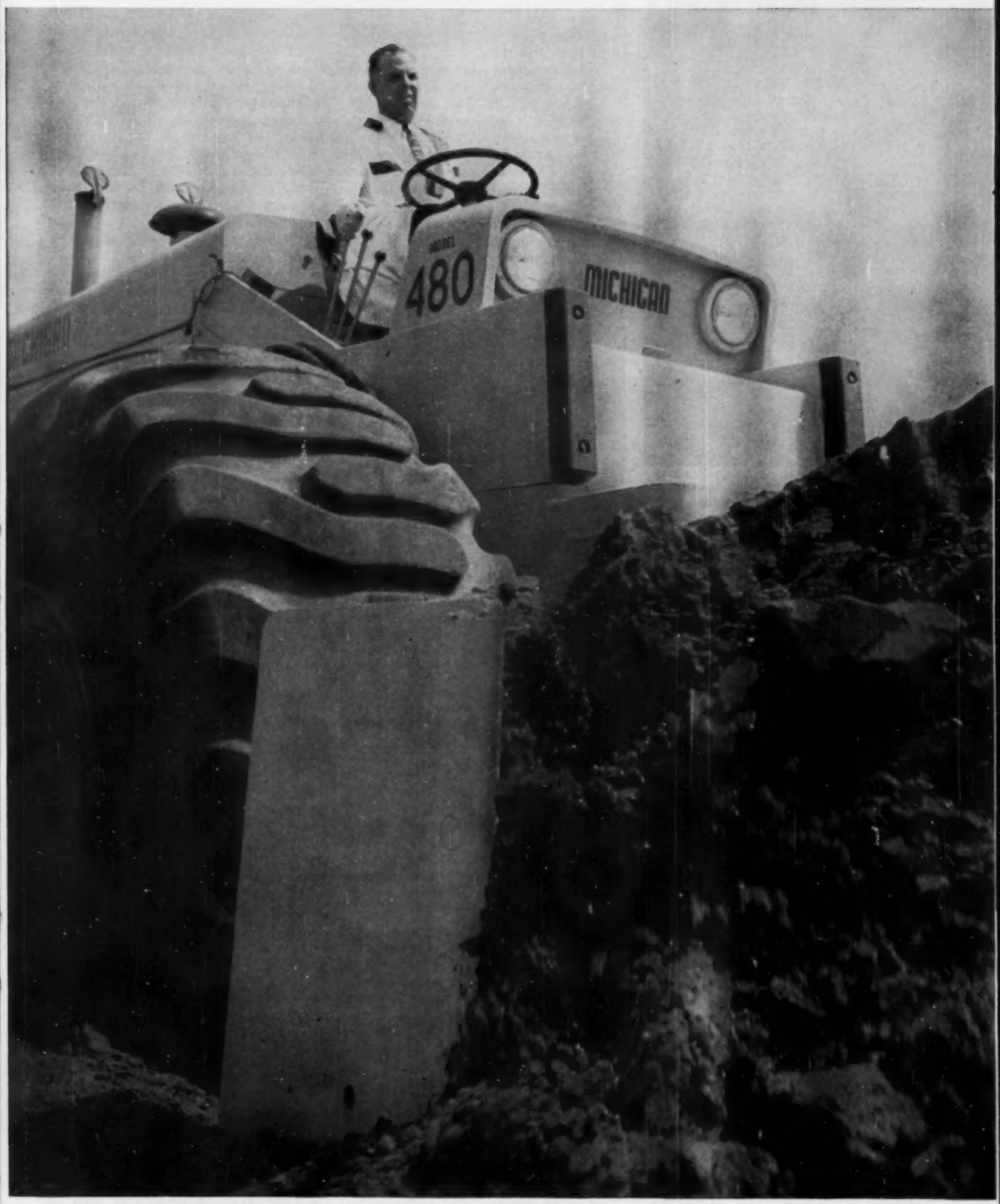
Four years ago, Clark's Construction Machinery Div. existed only on paper. Its first production runs started only three years ago. Yet in a field of some 250 companies, dominated by a half dozen giants, it has already scrambled to seventh or eighth position. It still has a substantial way to go to challenge the companies at the



TRACTOR SHOVELS came first in Clark's new construction line, now lead the field.



TRACTOR LOGGER was added to Clark's line of construction machinery last year. The new items are upcoming.



BEHIND THE WHEEL of Clark's 600-hp. bulldozer is Clarence Killebrew, who runs the company's Construction Machinery Div.



KILLEBREW expects Clark's machinery sales to rise, despite industry slump.

very top: Caterpillar Tractor Co., Allis-Chalmers, International Harvester, or General Motors' Euclid Machinery Div. But it's already breathing hard after LeTourneau Westinghouse, Bucyrus-Erie, and Thew Shovel, and has left well behind over 200 others that have been in the business for years.

• **Bucking the Trend**—For Clark, like most others in the industry today, business is off. Yet for the year as a whole, its construction machinery business has moved up, counter to the trend of the industry as a whole. In what is definitely a buyer's market today—and with the much touted big national road program still bogged down—and with Clark's line easily the most expensive on the market (running some 10% to 15% higher than similar competitive models), the company is cheerfully introducing some new, bigger, and more expensive equipment. And it has orders on the books that will take its volume to new highs next year.

• **Prime Movers**—Behind this cheerful success story sit two men: George Spatta, president of Clark, and Clarence Killebrew, head of its Construction Machinery Div. (cover). Spatta, a half dozen years ago, realized that if Clark didn't do some branching out, it might run into trouble when the boom days of the Korean War ended. He wanted a new business that could add not just a couple of millions in additional volume, but $50-million to $100-million at a clip.

Construction machinery is a tricky business, and one dependent to a large degree on close personal relationships between manufacturer and customer. Even giants like General Motors have found it expedient to buy—via Euclid—into the business. Clark decided to start from scratch.

Killebrew, who started with Clark just five years ago as the first—and sole—employee of the Construction Machinery Div., is the man who has largely taken the division where it is. With a long background in the field before he came to Clark, he had some positive ideas of what was wrong with the industry, and what could be done in spite of the competition. Spatta has generally given him his head.

• **Sales Picture**—So far, the gamble is paying off. This year Clark's total sales will run about $145-million, with CMD accounting for some $40-million. In 1953, before Clark got into the new business, sales ran about $113-million.

Now Clark is ready to thrust an expanded line of road machinery into a market where it will come up directly against the giants. Even though the slump throughout the industry is expected to continue, Clark's CMD confidently expects to boost its volume next year to about $55-million. How? "Out of the hides of the companies now supplying these needs, the big five of the industry," grins Killebrew.

• **Main Lines**—If CMD's short history is any indication, it may do it.

Clark's main lines of business had been always concentrated in two fields: industrial trucks, more generally known as fork lifts, for materials handling; and automotive products. It has been an important factor in fork lifts for years, claims No. 1 spot in the industry—although Yale & Towne Mfg. Co. sometimes disputes that. Clark's Automotive Div. does not make any equipment for passenger autos. Its specialties in the field—power packages, including axles, transmissions, torque convertors, planetary gears—go to trucks, buses, and agricultural equipment.

Once, before War II, Clark also made equipment for handling of bulk materials, particularly small tip-up dump trucks for intra-plant handling of such items as bulk chemicals, sand, coal.

• **War Demands**—But during that war, it was backed into mass production of fork lifts, and its bulk-materials equipment went by the board. The Korean War forced more expansion of its major lines, including a new $10-million plant at Jackson, Mich., for automotive transmissions.

I. New Venture

By this time, Spatta began to be a little concerned about the postwar market, figured that by the time Korean conflict was over, Clark might have more physical and technical capacity available than its standard products could absorb. The automotive side of the business seemed most vulnerable—particularly the farm equipment business fluctuates widely, and more and more companies have taken to making their own components.

• **Important Meeting**—Clark started redesigning again on its small dump trucks, but was not at the time planning to get into big earth-moving equipment. The switch came about partly as the result of an accidental meeting of Spatta and Killebrew in late 1952.

At that time, Killebrew had put in some 13 years as general sales manager of Frank G. Hough Co., a maker of tractor shovels, and during that period had helped push sales from $250,000 to $13-million annually. But Hough had been absorbed by International Harvester, and Killebrew wasn't entirely happy about the changes. Spatta was looking for a man to head up a proposed new division. In December, 1952, Clark's Construction Machinery Div. came into being, with Killebrew as general manager—and sole employee.

The first decision was to abandon the remake of old standard bulk-handling equipment and start from scratch with a brand new line.

• **Assets**—Actually, the new branch was not too far afield for Clark. Earth moving is still essentially materials handling.

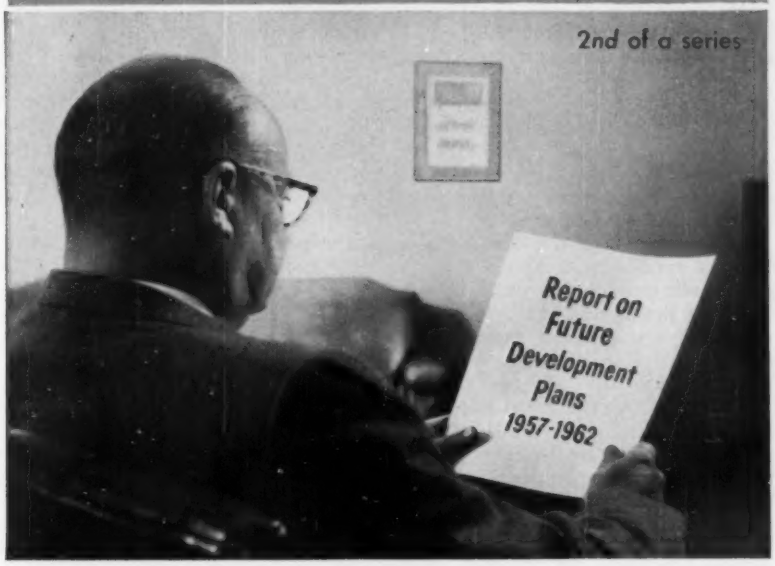
Moreover, Clark had both the physical and technical facilities available. It had been for years a major supplier of transmissions and axles for big vehicles. It had a highly flexible engineering department. For years it had done highly intricate custom work for specific applications. It already was set up to make its own components.

Clark had one further advantage—one that decided Spatta against trying to buy an existing company in the field. It was not, as were some others, tied down to minor variations on existing models, because of the need to protect investments in obsolete tooling and spare parts inventories.

• **Basic Idea**—By March of 1953, CMD had a staff of eight—Killebrew and seven engineers—who set out with one idea: "Outspec the competition. Design a machine that will do what the contractors want it to, and will do it better than anyone else." The requirements were dumped in the lap of Clark engineers. By September, the first prototypes were built—a small 1-yd. tractor shovel—and tooling up was almost done. The first production line model was delivered in May, 1954. In the remaining eight months of the year, Clark delivered about 600 of them, at roughly $10,000 apiece. In the process, it also racked up a $1-million loss—the only loss the division has ever sustained.

• **Acquisition**—Meanwhile, in spite of its original resolve, Clark had indirectly

A look over the president's shoulder at Townsend



In our first ad of this series (Business Week, November 2, 1957), we talked about how our 141-year-old company had, in the last ten years, changed from its original role of a traditional producer of solid steel rivets and other industrial fasteners to a company with diverse product lines, from three producing operations to seven and increased annual sales from $6 to $17 million in doing so. We also told you about our new, important activities in R & D in several locations about the country.

This progress is well illustrated by a comparison. In 1946, rivets and other standard fasteners made up the bulk of our $6 million sales. By 1956, these old-line products accounted for sales of $8.5 million, but newly-developed and acquired lines accounted for an additional $7.5 million.

Customers, employees, stockholders now ask what's happening next—in the next five years. Does Townsend plan to stop diversifying, merging and acquiring for the present? Do we have a plan?

During the past few years Townsend has made exhaustive surveys of its products, personnel, operations and potential. A comprehensive master plan of development based upon results of those surveys has been set in motion. It is designed to tie together the progress already made toward diversification. We not only have a general plan—it's quite specific and written out.

We Have Three Basic Goals

Our plan for future growth has three basic goals. First, we intend to achieve an even greater diversification of our product mix. Second, we are shooting for a 1962 sales volume of $30 million together with a substantial increase in the company's total pre-tax return on stockholder investment. Third, we expect to increase our research activities and step up our personnel development program.

Greater Diversification

Our forecast for 1962 anticipates less sales of our old-line products—say about $7.5 million. But, this would be more than offset by $12.5 million in sales of newly-developed products—an increase of $5 million. We expect to do this by expanding our present business with higher-profit, stable-growth fastening specialties, both metallic and non-metallic. These will be proprietary in character through patents, technical know-how or service in rapidly expanding markets.

From now on we expect to feel the results of an immediate diversification into proprietary non-fastener product fields which we estimate will yield $6 million in new sales by 1962. These would be compatible with the present lines in manufacturing techniques and channels of distribution.

Long Range Research and Development

We also have launched a longer-term program in research-based fields that should generate $4 million in sales by 1962 and should have a rapid annual growth afterwards. These products of applied research will take us into advanced technological areas which are unusual in growth and future promise.

This longer-term activity is being carried out by two scientific organizations devoted exclusively to applied research.

One is a new subsidiary, Townsend Engineered Products, Inc. TEP, as it is known, was formerly G. O. Noville & Associates, Inc., which we acquired earlier this year.

TEP and the technical staff of our former Armament Components Division have combined their talents and experience to form a unique organization. It will provide experimental, developmental and production facilities for industry, the military and government agencies.

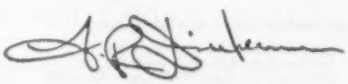
The other group conducting applied research is an affiliate, Impact Products, Inc., located in Orangeville, Ohio. Impact is a pioneer in the development of metal-flowing techniques for various alloys, including the super alloys.

Both of these research organizations have already made important contributions to the success of our master plan.

Product Research

In addition, product research and development is being carried on by specialists in our plants at New Brighton and Ellwood City, Pennsylvania; at the Dunn Steel Division in Plymouth, Michigan; the Cherry Rivet Division, in Santa Ana, California, as well as in Canada through our affiliate, Parmenter & Bulloch Manufacturing Company, Limited.

This emphasis on research and development as it is transformed into new products and services means that Townsend will be able to provide you and all industry with tools of progress not now available. We expect to report on these developments soon.



F. R. Dickenson, President

The Fastening Authority

Townsend

COMPANY • ESTABLISHED 1816

NEW BRIGHTON, PENNSYLVANIA

Cherry Rivet Division, Santa Ana, California • Sales Offices in Principal Cities

In Canada: *Parmenter & Bulloch Manufacturing Company, Limited, Gananoque, Ontario*



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The best looking buildings you ever saw! The finest steel buildings you can buy! That's the new Stran-Steel line of all-steel buildings . . . years ahead in modern design, with quality built in to give years of service.

Stran-Steel buildings are specially designed. You can have a building as big as you want and in any shape that will best fit your needs. Six basic widths — 32, 40, 50, 60, 70 and 80 ft., and multiples thereof.

Attractive and distinctively styled, these rugged, low-cost buildings with exclusive *Stran-Satin* exterior provide a non-combustible structure with unlimited design possibilities . . . a luxury look that combines ideally with other construction materials.

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Cleveland 16, Ohio, 20950 Center Ridge Rd.
Detroit 29, Mich., Tecumseh Rd.
Houston 5, Texas, 2444 Times Blvd.
Kansas City, Mo., 6 East 11th St.
Minneapolis 4, Minn., 708 S. 10th St.
New York 17, N. Y., 405 Lexington Ave.
San Francisco 3, Calif., 1707 Central Tower Bldg.
Washington 6, D. C., 1025 Connecticut Ave., N. W

Stran-Steel Corporation, Dept. 17-67
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bought into the construction machinery field anyway.

In mid-1953, the company acquired —through an exchange of stock—the family-owned Ross Carrier company. Ross was bought primarily for some items that supplemented Clark's line of industrial trucks, particularly a fork lift heavier than anything Clark then had, and a straddle carrier.

• **Dealer Outlets**—Ross had a subsidiary, the Michigan Power Shovel Co., which made small excavator cranes, doing a volume of about $3.5-million a year. The original Michigan line has since been extensively redesigned, but out of that transaction, CMD got two valuable items: an existing reputable name in the construction field, and a nucleus of dealers.

At that time, a distribution network was vital to Clark, since its new markets were hardly parallel to its old.

Clark's timing was lucky. A merger movement was sweeping the industry. International Harvester had picked up Hough, GM had absorbed Euclid, Westinghouse Air Brake had taken over LeTourneau, and a vast shuffle of dealerships was going on. Within a year, Clark CMD had picked up 75 dealers, some from Michigan Power Shovel, the rest from competitors.

For the next two years, Clark concentrated on a comparatively limited line: the tractor shovels in several sizes, the excavator cranes, adding last year a tractor logger and a tractor dozer. Clark also stuck to items where the competition was comparatively limited. In tractor shovels, for instance, where it now claims the No. 1 spot, it has only about five major competitors.

• **Expansion**—Currently, CMD is expanding its line. Some new items, like two new tractor shovels and two new tractor dozers are bigger and more powerful versions of products Clark is already building. And with the big road-building program getting closer to starting date, Clark is getting ready to grab a share of that market too. A new category has been added: three big tractor scrapers, in capacities from 10.5 cu. yd. to 27 cu. yd. Also upcoming, what may be the biggest production bulldozer of them all, a 600-hp. monster, costing around $90,000.

Clark knows there's a battle ahead. Killebrew feels that even against the giants, Clark CMD has some edge. For one thing, he notes: "Big contractors don't buy equipment until they know exactly how it'll perform, how much it'll cost to move a yard of dirt down to the penny." A standard selling gambit for Clark's salesmen is a stopwatch timed dirt-moving race on a job between their equipment and that which the contractor is already using.

• **Long Experience**—With Clark's long experience in making power packages, and its own facilities for making the bodies of the machines, it's already fairly well self-contained. "When you take the boiler plate off any heavy earth-moving equipment, you find the same drive mechanisms we've been making for 50 years," says Spatta.

Starting from scratch, Clark CMD designed for accessibility and interchangeability of key parts, which means less down-time, more economical operation for the contractor.

• **Selling Job**—Today, the only major items CMD still buys from outside are engines and rubber tires. One of the toughest blocks it's had so far has been to convince contractors, steeped in the tradition of using crawler (steel-tread) equipment, that its own all rubber-tired equipment would not only hold up well on the job, but give better mobility between jobs because it can be driven over roads.

II. Over-All Expansion

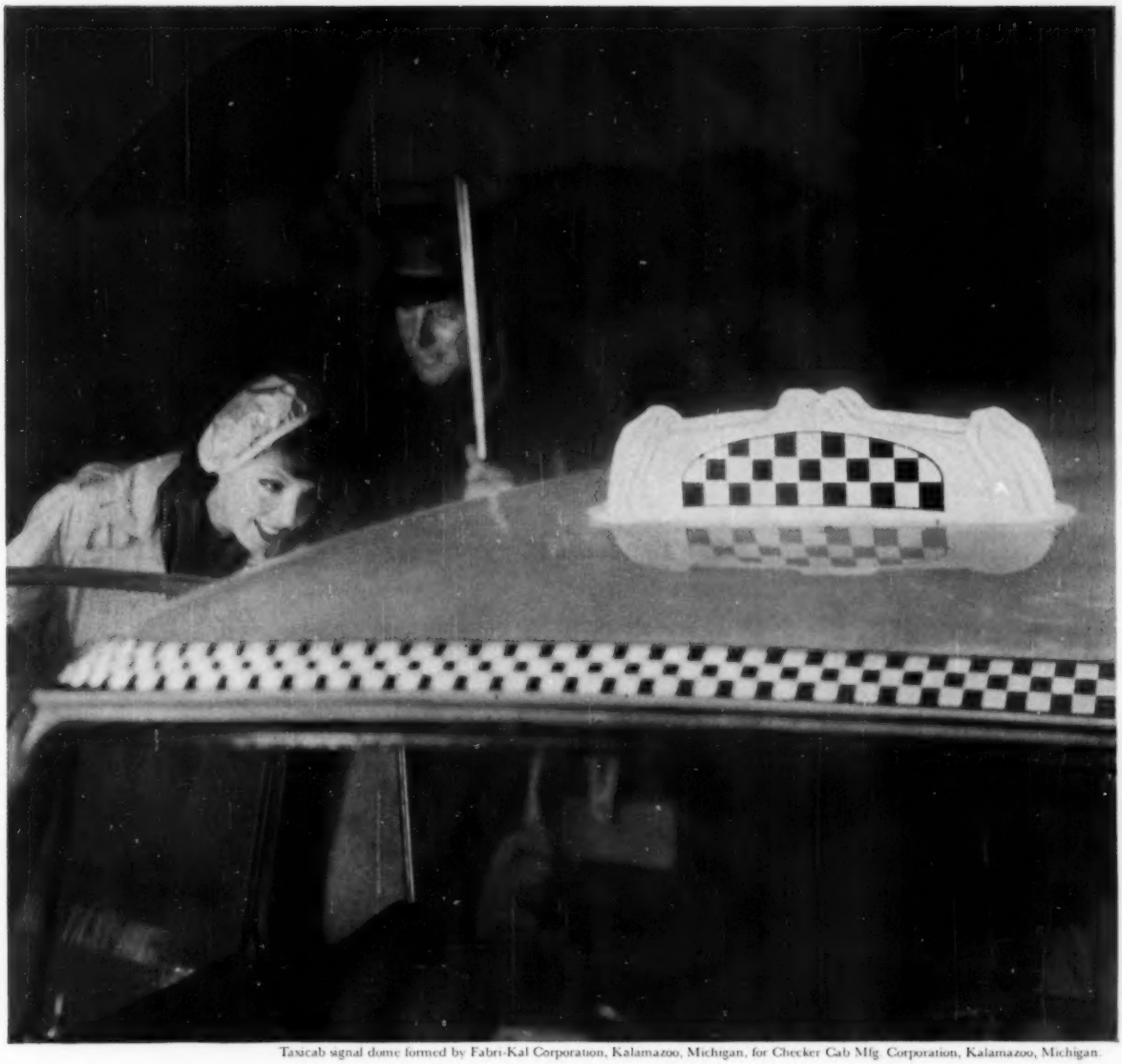
Meanwhile, Clark is moving for expansion in its other fields. Its automotive business has slipped, considerably, in the last few years, largely a reflection of the decline in farm equipment. Clark's not ready to abandon that business, though, by a long shot. For one thing, it's already a major supplier to both other Clark divisions.

In the Industrial Truck Div., sales are still going up, with Clark making both bigger lifts for heavy industrial use, more small ones for interior warehouse work, more special purpose ones for jobs like handling coils of wire, and all have been redesigned for driver comfort as well as mechanical efficiency.

• **New Products**—The division is working on a fully automated warehouse system, and has already developed its Mobile Van, a trailer-sized packing container for truck-rail piggy backing. Clark won't make the bodies itself but still has a direct interest in it. It will make the locking mechanisms for the van itself, and on-and-off loading of the vans to flat-bed trailer or rail car will require big fork lifts—preferably Clarks.

Still in the future is its "people pod" for jet planes. The people pod theoretically will act as waiting room and collection point for a flight's passengers and freight, and the whole works will be trundled to the plane and lifted into loading position by a superfork lift.

• **Overseas Operations**—At the same time, Clark is branching into overseas operations. It has had licensees abroad for some years. Within another year, Clark will be manufacturing itself in 14 overseas plants—in Australia, Brazil, England, France, Japan, Belgium, and Germany—most of which will turn out both industrial trucks and construction machinery. **END**



Taxicab signal dome formed by Fabri-Kal Corporation, Kalamazoo, Michigan, for Checker Cab Mfg. Corporation, Kalamazoo, Michigan.

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Then you'd do what Checker is doing; you'd use high-visibility signal domes formed of tough, durable Kodapak Sheet to attract more riders.

Because Kodapak Sheet is chemically and dimensionally stable, it weathers well—retains its surface under trying conditions. And because it resists impact, less damage occurs in assembly and use.

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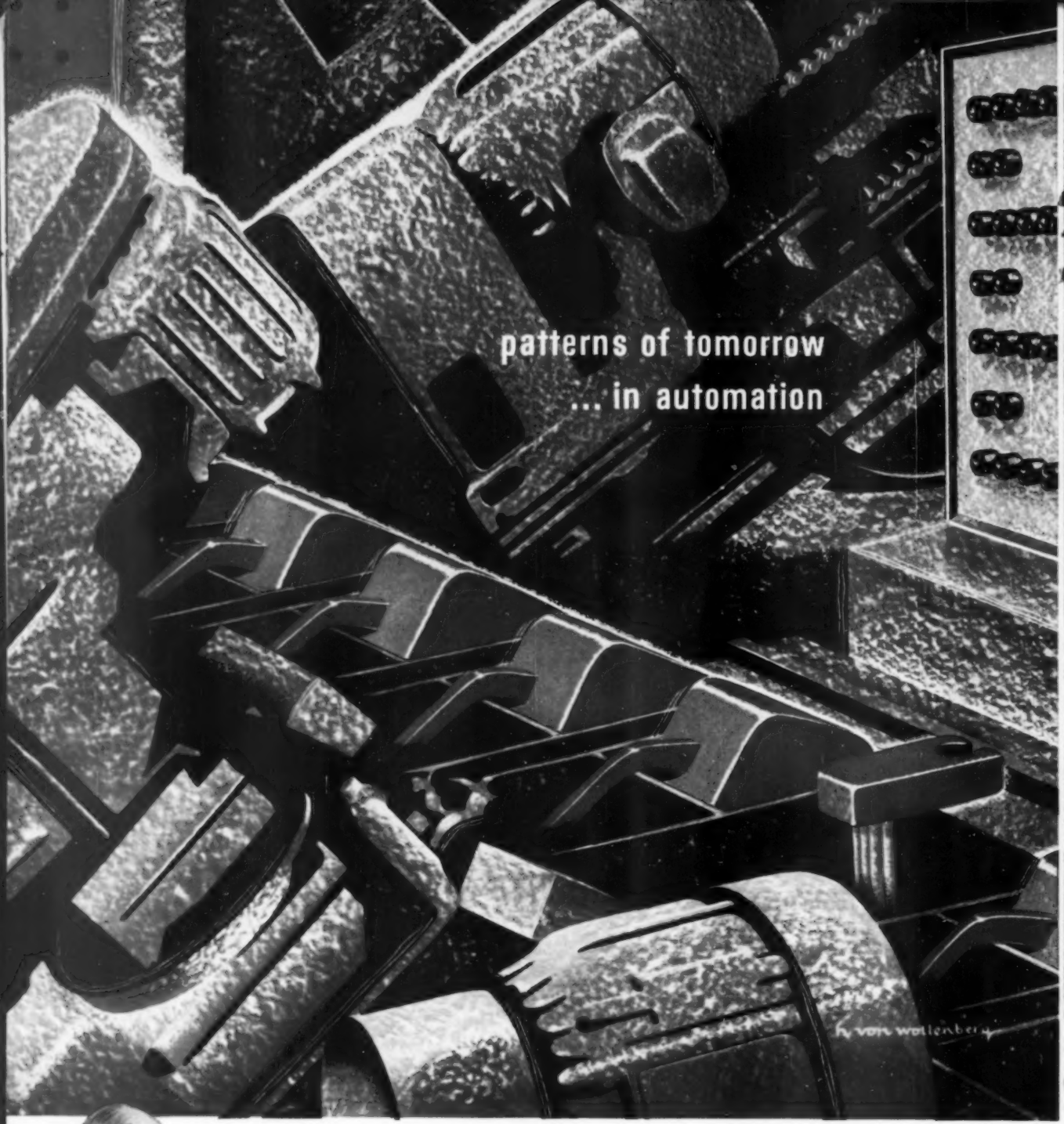
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Why Office Parties Go Wrong

Liquor is the biggest offender, with sex a close chaser, a management survey shows—but with all their attending horrors, most executives say, they're real morale boosters.

Christmas tells many strange tales, but hardly any stranger than those turned up by a nationwide survey of the mores of that institution, the office Christmas party. The survey, taken after last year's round of festivities, is only now being circulated among executives for whatever lessons they care to extract to guide them this year.

Last December, even while office desks still bore sticky rings from unaccustomed glasses, the National Office Management Assn. asked nearly 1,000 assorted companies 11 blunt questions about their office parties.

NOMA wanted to know who held Christmas parties and who would be having them this year; where and when they were held; who came and what went on. It also asked about alcoholic beverages; whether the executive was personally in favor of office Christmas parties; and finally, in an attempt to get at the crux of management's reaction, the reason for his answer to the foregoing.

• **Ambiguous**—The simple statistics reveal even the term "office party" to be an ambiguous one. It may mean an extended lunch hour in the office with employees bringing their own sandwiches; a children's fete at a nearby orphanage; a board meeting type assembly at which the boss says how hard he expects everyone to work next year; or a spare-no-expense night on the town. Whatever form the annual blowout takes, two-thirds of the surveyed companies had one, and about the same number will do it again this year.

• **Who Pays**—Two out of three employers who give parties pick up the whole tab, but one out of six doesn't put up a penny. The latter expects employees to bear the whole expense; the remaining companies ask employees to share the cost with the company.

The trend veers toward after-hours (61%), away-from-the-office (66%) parties, and a third of these will be held on the last working day before Christmas. Few companies tolerate employees' children at the party, and about half limit attendance to employees only. The remainder, for reasons that include having someone around to keep an eye on a less constant mate, invite spouses and sweethearts.

At 80% of these parties, attendance is ostensibly optional, but about a third noted "expected" in the margin, and one wrote "damn near required."

• **$64 Question**—The answers to NOMA's key question, the big "Why"—do you or don't you approve of office parties—bring these comments:

"They turn into drunken orgies," says a man who gives no party. Liquor is the No. 1 taboo. Even among employers who sanction parties, 16% specified "if liquor is limited." And 44% of those who answered in the negative say, "Liquor causes problems." An additional 15% of the dissenters add, "Mixed sexes and liquor cause problems." Half of all the parties held on company property (a third of the total) will be dry.

What manner of man anticipates with trepidation a yuletide drink with his fellow man. Apparently, men of good will, either because they cannot anticipate—or can anticipate only too well—the bitter, bitter end.

I. A Noggin of Hemlock

One boss who said "No" to an office get-together feels that inviting his employees to have a drink is literally asking them to name their poison. His jaded maxim is "Mixed drinks plus mixed crowds equal mixed up home life."

The homewrecker cry is echoed by other no-party men. One employer writes, "I've seen home Christmases ruined by office parties." And "I've seen affairs started, family quarrels, and insults to executives and co-workers."

Another executive says, "In spite of efforts to control the holiday spirit, it's the spirits that prevail."

Many objectors deny that piety or prudery accounts for any measure of their resolve never to let the office party happen again. Rather, they blanch at the thought of regret and embarrassment hanging over their office relationships long after Twelfth Night. One of these objectors says, "Before you get my opinion, I want you to know two things: First, I am a fairly heavy drinker; second, I haven't been to church for years." He relates:

"For many years, we have closed the office and plant at noon the day before Christmas. It got to be the custom about 10 o'clock in the morning for just about everybody and his dog to pull out a bottle and the festivities started. The result was that many of us (including me) were pretty tight by noon,



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which led to familiarities with some of the office girls. The practice spread to the shop with men running precision machines. Although we never had an accident as a result, it was just luck that prevented it. We quit having office parties five years ago."

Some are just "agin the drink," but teetotalers notwithstanding, liquor still will be furnished free by more than half the companies at their 1957 parties. Another 19% will permit employees to bring or purchase their own liquor.

• **Picayune**—The rest of the negative voices, for the most part, carried a note of disdain. The occasion was "boring" or a "waste of time," keeping them away from more amusing parties or from their families on Christmas Eve.

Some companies that have found the atmosphere either electrified by employee-management tension or stifling with mutual disinterest, have cleared the air permanently by giving everyone a day or half a day off, or sending them packing at closing time with a turkey.

A few tight-lipped remarks appear too: "My employees are paid to work."

II. Let Nothing You Dismay

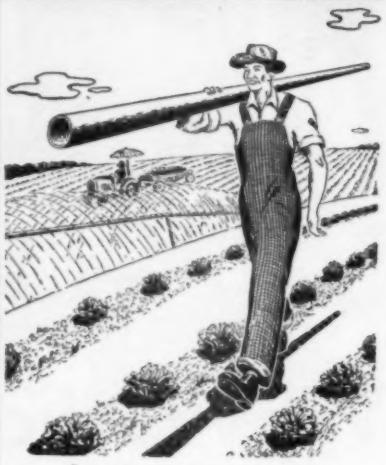
The good news about Christmas office parties comes from merrier gentlemen, and more of them. One writer says of parties, "It gives employees a sense of belonging to something more than a desk at which to work." One calls his party "a needed social occasion for the newest clerk to meet the top managers on a social basis." Another says it is "a company thank-you above immediate wage payments." A 75% majority thinks that an office party improves the general morale.

Some management quarters, however, doubt that hoisting a few with the rank-and-file can bring anything but grief. According to NOMA's survey, it's a toss-up who will throw caution to the winds first—the guy who has been meaning to ask the old man for a raise all year, or the officer who has planned to put that whippersnapper in his place since the day he was hired.

• **Guilty Conscience**—Write-ins indicate that both will abandon more reserve than either can recall the next morning without a shudder. Both employee and management groups, some say, feel under critical surveillance. "Top executive officers are too critical of employee actions at such a party," says one, "and their personal attitude is such that it leaves the employees feeling very depressed."

• **"They're Fun"**—A few employers are undismayed by weighty considerations of the office party question. They conclude office parties are grand. "I like to drink," reasons one who, for emphasis, responds "sweethearts only" to the question who is invited. END

WELDED TUBULAR PARTS

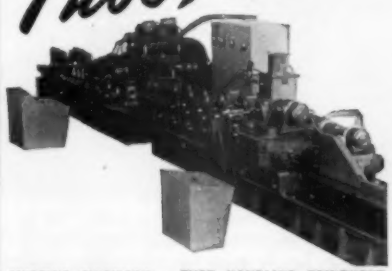


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In Management

• • •

Proxy Battle for Electronics Company Turns the Tables on Savage Arms

A proxy battle at Savage Arms Corp. ended last week with company management thoroughly trounced. As a result, moves by Savage to take over an electronics company have been thwarted; the way may be opened for Savage itself to be acquired by yet a third company, American Hardware Corp., and what might have been a tactical coup turned into a Waterloo.

The beginnings of the battle go back to the end of 1956. At that time, American Hardware of New Britain, Conn. (1956 sales: $30-million), tired of dependence on the building industry for its livelihood, wanted to diversify. **It started buying into Savage (1956 sales: $31-million), which makes shotguns, rifles, lawn mowers, and refrigeration cabinets.**

Last spring, AH began to talk merger with Savage. It was turned down, but by March, AH had control of 100,000 of some 754,000 Savage shares outstanding.

Savage management then began to think about making some acquisitions of its own—for stock. This would give the company diversification, would dilute AH holdings, and would put a chunk of stock in friendly hands.

Savage arranged to take over Aircraft Armaments, Inc., of Baltimore, an electronics and development company, for 110,000 shares, but was beaten at last week's special stockholder meeting called to consider the move. Now AH is planning to offer 125,000 of its own shares plus an unspecified amount of cash in exchange for 250,000 Savage shares.

• • •

Swan-Finch Receiver's Job Is Stymied By Missing Officers and Missing Books

Swan-Finch Oil Corp., a holding company often in the news, made the headlines again last week when Federal Judge Sidney Sugarman ordered a warrant for the arrest of Lowell Birrell, one-time chairman and a principal of Swan-Finch. Birrell is currently in Cuba for his health. He has thus far failed to appear as a witness to his company's varied operations.

Swan-Finch has a maze of holdings including oil, natural gas, uranium, and granaries; it also controls Doeskin Products, Inc., a leading producer of facial and home tissues. Swan-Finch—along with a number of New Yorkers—was investigated last summer by the Securities & Exchange Commission for the sale of unregistered stock.

Following this, Swan-Finch was again projected in the news when Ralph E. Damp, company president, was ousted for efforts to open up the company's books. Later the court threw the company into receivership.

But court receiver Thomas Shanahan, president of Federation Bank & Trust Co. of New York, is having trouble unsnarling the knots. On taking over the job, he found a company consisting of $4,000 in cash, a tangle of two- and three-way stock deals, and a set of contradictions. Ex-Pres. Damp has sent in affidavits alleging that the minutes of many directors' meetings included discussion that never took place.

So far, the previous president, Roy H. Callahan has been no help. He seems to be out of the state, says Shanahan. Birrell is out of the country, and the company's books are "out of this world." They disappeared the day before he was appointed, says receiver Shanahan, and he hasn't been able to trace them yet.

• • •

Fairbanks, Morse Asks Court to Clamp Down on Penn-Texas' Purchase of F-M Stock

Fairbanks, Morse & Co., which used the courts to fight off an almost successful Penn-Texas Corp. takeover (BW—May18'57,p48), now wants Penn-Texas held in contempt for breaking a U.S. District Court decree enjoining it from any further attempts to take over F-M for at least five years.

After the Chicago court-supervised treaty was enacted, Penn-Texas kept on buying F-M stock. It now holds at least 478,250 shares (44% control), plus options on more, and F-M is getting restive.

Much of Penn-Texas' continued buying may be to maintain the price of the stock (BW—Nov.23'57,p189). Penn-Texas has pledged 436,670 shares of its F-M stock as collateral on $10.5-million on short-term loans, and can't afford to let their market value drop.

But there are rumors that Penn-Texas would like to turn its F-M holdings over to a corporate buyer. Since the new buyer would not be subject to the five-year peace treaty, it then could move in on F-M.

• • •

Hertz and American Express Cast Eyes At Rich American-Abroad Market

Last week, fast-expanding Hertz Corp., already the largest auto rental company in the world, made a major expansion move. Along with American Express Co., it set up Hertz American Express International Ltd., a car rental concern designed to tap a rich market—the 1.5-million Americans who annually travel abroad.

The deal makes good sense. American Express has a network of 407 offices and facilities around the world through which it can push car rentals—and it has extra cash in its jeans. Hertz has a solid business including 27,700 cars and 19,300 trucks largely in the U.S., but it also has rental agencies in France, Cuba, and Puerto Rico—and it has the yen to expand.

The new concern provides American Express with yet another service to travelers, and Hertz gets help in financing an expansion.

American Express owns 49% of the new company, for which it put up close to $1-million in cash. It will also buy 25,000 Hertz shares (at current market prices this comes to about $850,000).

...Mark of PROGRESS in Railroading



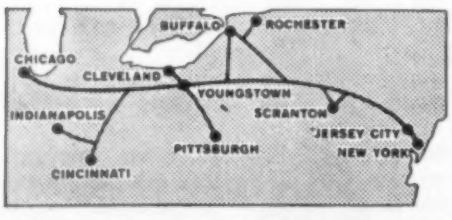
How a car maker profits from this

600 MILE PRODUCTION LINE

Automobile axles from Ohio, like these being loaded into this Erie boxcar, arrive daily at an assembly plant 600 miles away. Timing is all-important because train schedules must mesh with production schedules to feed the fast-paced assembly line.

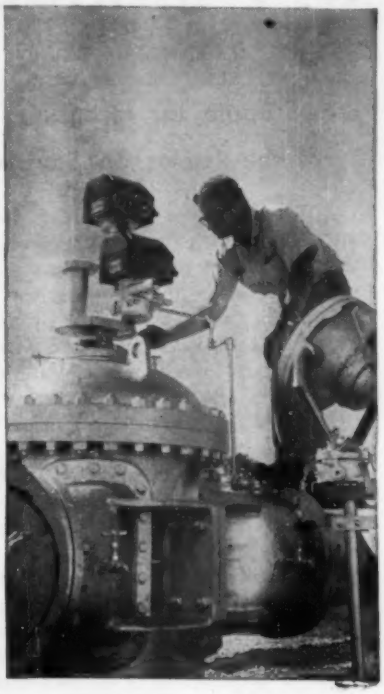
This manufacturer (and there are others) knows he can rely on the Erie to deliver the goods—to literally function as a dependable part of his production line.

There's money saved here—reduced costs in inventory, warehousing and handling. This is an Erie specialty—progressive, dependable service to help modern business and industry operate more efficiently.



Erie Railroad

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Fast Tab on Oil Flow

This giant flow meter looks like the answer to a pipeliner's prayer for a better and faster way of keeping tabs on the ever-increasing quantities of oil pulsing through his pipelines. It is capable of measuring up to 10,000 bbl. an hour, four times as much as present meters, and does this within an accuracy of 1/10th of 1%.

The development of the meter was a three-way project, involving Esso Research & Engineering Co. and Interstate Oil Pipe Line Co.—both affiliates of Standard Oil Co. of New Jersey—and A. O. Smith Corp., Pacific Coast Works, Los Angeles. The device, which has been successfully field-tested for over a year in Louisiana by Interstate, works this way: Oil is flowed by a vaned rotor that cuts the oil flow into prescribed volumes—one revolution equaling one barrel—which is in turn clicked off by the counter. Sounds simple, but building in reliability and accuracy has been a stumbling block.

This super $25,000 meter promises to eliminate the need of running a tanker-sized quantity of oil through special gauging tanks or through a ganged system of smaller meters in order to determine the exact amount of oil being transported. In these days of bigger and bigger pipelines and tanker loading systems, this is of considerable advantage. Jersey affiliates have already ordered 28 of these meters from A. O. Smith.

The kind of air conditioning your business needs...



Flexi-Cool air conditioning by WORTHINGTON

New! Space-saving packaged unit that fits anywhere in any business.

Exclusive sectional construction! These words tell why Flexi-Cool is today's best air conditioning buy. Only Flexi-Cool has components that can be installed vertically or horizontally . . . as a complete unit . . . or apart from each other. A Flexi-Cool can be installed where conventional air conditioners will not fit. Its wide variety of sizes and arrangements lets you solve virtually any space problem. In addition, Flexi-Cool offers a choice of air or water-cooled systems . . . and is available in models of 2, 3, 5 and 7.5 tons capacity.

It will pay you to find out *now* about the Worthington Flexi-Cool—the one packaged unit that's always *right* for every commercial air conditioning job. Look in the yellow pages for the number of your nearest Worthington dealer. Call him soon. Or write direct: Worthington Corporation, Department AC, Harrison, New Jersey.

A7.37R



A capacity for profits

Crane capacity may be your first consideration, but don't let it be your *last*. You also need fast, precision control to use that capacity *profitably*. You get it in the new Gar Wood 100BT truck crane.

Direct manual controls, for example, retain all-important operator "feel". Direct-gear drive gives you smooth, accurate power with no backlash. Optional hydraulic coupling absorbs shock loads, makes for smoothest crane operation. Worm-driven boom hoist has two speeds up and down to meet any load requirement. Power-actuated drum clutches reduce operator fatigue, greatly increase efficiency.

Capacity? Gar Wood truck cranes are available in 20- and 25-ton models. But don't forget to check all the features that let you *use* that capacity profitably. In every way, you'll find that Gar Wood gives you more to bank on.

GAR WOOD INDUSTRIES, INC.

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Plants in Wayne and Ypsilanti, Mich.; Findlay, Ohio; Mattoon, Ill.; Richmond, Calif.



Excavators | Tractor Equipment | Frate-Gates | Hoists & Bodies | Ditchers

Unroll a Plastic Sheet, And Sun Porch Is Built

A semirigid plastic sheet that lets in almost 100% of the sun's ultraviolet and infrared rays may open another do-it-yourself field for homeowners and manufacturers. Armed with a pair of scissors, a hand stapler, ordinary home tools, and a 36-in. or 42-in.-wide roll of the plastic, any reasonably capable handyman can build his own sun porch or greenhouse. All he has to do is spread the plastic sheet along the frame and staple it in place.

The plastic—called Sisal-Glaze—is actually an opaque acrylonitrilestyrene copolymer. Pieces of the opaque plastic are stretched to nine times their original size by extrusion. The stretching operation realigns the molecular structure of the sheet and makes it clear instead of opaque.

Tests on housings covered with Sisal-Glaze show that a temperature of 80F to 90F can be built up inside when the temperature outside is below freezing. The manufacturer, American Sisalkraft Corp., Attleboro, Mass. looks for its market to sunworshippers devoted to year-round tans and green-thumbed gardeners who want greenhouse protection for their plants.

It's also possible to use the plastic for poultry houses, storm windows, warehouses. It can be used also in an opaque form for the walls and ceilings of industrial buildings.

Cost varies with size of the structure. A sun porch 7 ft. square and 7 ft. high, with a wooden frame and fixtures, costs less than $90 to put up.

NEW PRODUCTS BRIEFS

A paper textile that can be used in place of traditional textiles for garments, hand towels, medical gowns, and a wide variety of other products has been developed by the Scott Paper Co., Chester, Pa. The material, called Dura-Weve, is a laminate of rayon and two or more piles of wet strength paper. The make-up can be varied by substituting for the rayon other materials such as plastics.

•

Snap-on insulation made of urethane foam is available for industrial pipes in virtually any size, shape, and thickness for conventional piping and fittings. The insulation is spread open, then wrapped around the pipe. It is especially useful for low-pressure steam, hot water, and dual temperature lines. Manufacturers are Delaware Insulation Co., Wilmington, Del., and Rainbow Industries Inc., Butler, Pa.



"We increased our Trade Mark Service in the Yellow Pages from 50 to 245 directories in one year"

says **FRANK SCHWINN,** Vice President, **ARNOLD, SCHWINN & CO.,** Chicago, Illinois

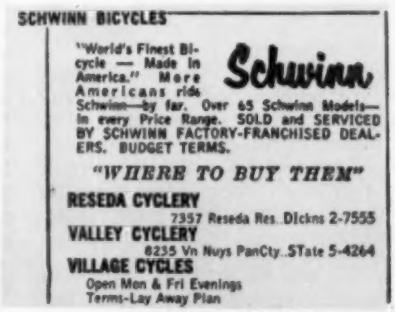
"Our problem was to give Schwinn bicycle owners the best possible service. In order to make our authorized dealers easy to find, we tried Trade Mark Service on an experimental basis," explains Mr. Schwinn.

"It soon proved valuable in creating greater customer satisfaction and building dealer good will. After the first year, we increased our original contract from 50 to 245 directories. Now our national advertising refers prospects to our dealer listings in the Yellow Pages."

Trade Mark Service in the Yellow Pages can direct more sales to your dealers and distributors. Find out how this link between national advertising and local selling can be geared to your marketing needs. Call your telephone business office or look in the consumer magazine section of Standard Rate & Data Service.



"YELLOW PAGES Trade-Mark advertising brings lots of business," states George Garner of Valley Cyclery in Van Nuys, Calif., one of the biggest Schwinn bicycle dealers in the country. He also has a quarter page directory ad.


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"World's Finest Bicycle — Made in America." More Americans ride Schwinn—by far. Over 65 Schwinn Models—in every Price Range. SOLD and SERVICED BY SCHWINN FACTORY-FRANCHISED DEALERS. BUDGET TERMS.

Schwinn

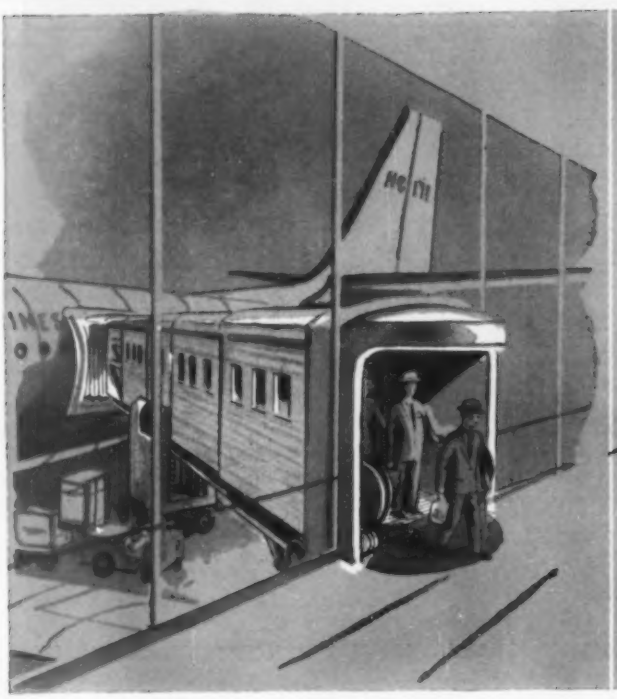
"WHERE TO BUY THEM"

RESEDA CYCLERY
7357 Reseda Res. Dickns 2-7555

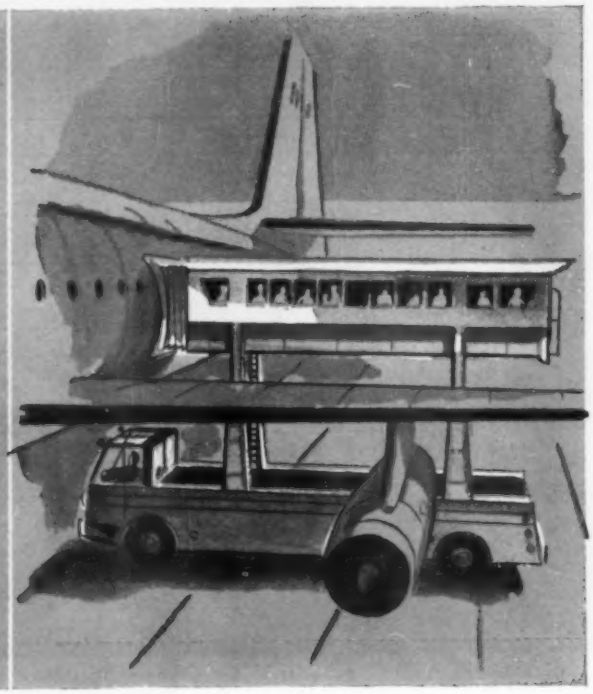
VALLEY CYCLERY
8235 Vn Nuys PanCty. STate 5-4264

VILLAGE CYCLES
Open Mon & Fri Evenings
Terms-Lay Away Plan

TRADE MARK SERVICE directs sales to dealers listed under the Schwinn trade-mark in the Yellow Pages of 245 classified directories.



COVERED GANGWAYS poking out to plane from upper level of terminal, promise faster loading of 150-passenger planes.



PASSENGER PODS on lift trucks could carry 40 to 60 passengers and their luggage to plane poised for take-off at head of runway.

Dream of Jet Age Airports

"DID you hear about the new jet plane that will fly 12,500 mph.?" the first man asks. "It will take you to any point on earth in three hours."

"How come?" says the second man. "Halfway around the world is only 12,500 miles—that should be one hour."

"Yes"—and here comes the punch line—"but you spend one hour getting aboard the plane and another hour getting your bags at the other end."

Airlines don't like this kind of joke, especially on the eve of the new 600-mph. jet planes that will sharpen the contrast between speed in the air and stagnation on the ground. But the jokes will persist until ground travel to and from airports is speeded and the handling of passengers and baggage is greatly improved.

The carriers can't do much about the first problem, but passengers and baggage are their responsibility. The jet planes, carrying twice as many passengers per trip, will make the problem just that much worse. And they also bring new problems that could revolutionize the airports—but not at the rate the industry is going right now.

I. Lagging Behind Need

Late next year, the first Boeing 707 jet liner will go into service. By the end of 1959, U.S. lines are scheduled to be flying 78 jets; by 1961, the 287 jets now on order will all have been delivered to the airlines.

These jets are big. The Boeing 707s and Douglas DC-8s will carry from 109 to 178 passengers, depending on seating arrangements. The slightly smaller Convair 880s will carry 89 to 109 passengers and the newly announced Boeing 720s, 100 to 125 passengers. In comparison, the piston-engined DC-7 carries from 60 to 85 passengers.

The airlines have also ordered 152 American-built turboprop planes, in addition to the 59 Vickers Viscounts that Capital Airlines is already flying and the foreign-built planes that are on order. The 66- to 85-passenger Lockheed Electras (BW—Nov.23'57,p98) and 40-passenger Fairchild F-27s will begin to join the domestic airfleets next year. However, these planes can be handled much like piston-engined planes and, except for greater carrying capacity in some cases, they won't add significantly to airport woes.

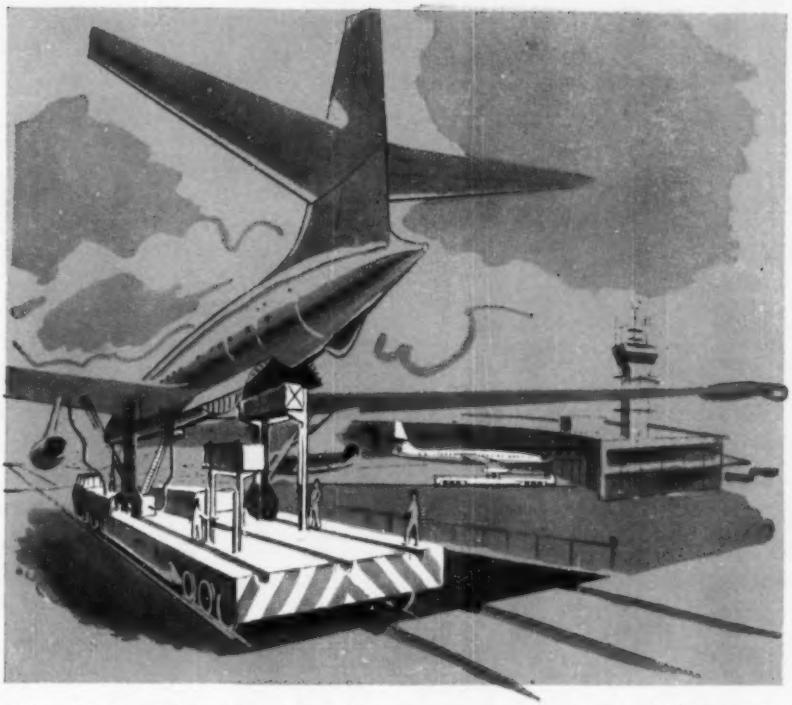
• **Costly on Ground**—Much more than the airliners of today, the jets will be costly to keep on the ground. They are naturally noisy in taxiing and take-offs, and it will cost money to muffle them. They burn upward of 2,000 gal. an hour, or three times as much as a DC-7 while in the air, and a substantial percentage of that while taxiing or waiting for take-off. That's a consideration, too, when they have to be stacked over crowded airports.

Still, airlines have decided, they aren't going to be forced to operate from outlying airports because of their noise, nor will they have to be shut down while on the ground and the passengers ferried to and from them because the planes will be too expensive to taxi. Airlines say the jets won't even need special air traffic priorities because of their high fuel-consumption rate.

• **Landlords Worried**—While the eight airlines with jets on order indicate that they expect to handle their jets much as they handle today's DC-7s and Super Constellations, their landlords—the airport operators—aren't so placid about the nature of the jet age.

The airport managers hear talk about a threefold increase in number of air travelers from 1956 to 1970. They hear complaints about present service, and they see a danger that ground accommodations will get worse before they get better. But they don't hear much from the people they think should be most concerned—their tenants, the airlines.

Unless the airlines make up their



RAIL CARS could piggyback airliners between runways and parking spaces at terminal—saving on fuel for taxiing, eliminating noise, allowing servicing on the way.

Still Far From Reality

minds pretty soon about what they want and tell the terminal operators, the bright new day for the air traveler may be darkly clouded at dawn, says the Airport Operators Council.

• **For Instance**—Take runways as a good example. It costs around $1,000 a running foot to lengthen a runway, and some airports may need to acquire more land to do so. Besides, it takes time even to build an extension on land already owned. Until the airport managers know for sure how much, if any, of this work will be necessary, they'll drag their feet on extending runways.

Need for length in runways depends on how heavy the jet liners will be at take-off, and that in turn depends on how far the planes are going and how much reserve fuel they carry. So the airports really need to know what routes the airlines expect to fly from their runways.

Runways at present airports will be long enough in most cases, experts say, if the jets fly present routes and save 25% of their fuel consumption by operating at the most economical speed, rather than the fastest. But if they are to develop their full potential of speed and range, the basic length of runway—6,300 ft. today—will have to stretch to around 7,700 ft. But, according to E. T. Burnard of the Airport Operators Council, the airlines have so far been quite uncommunicative, if not abrupt, when queried by airport managers on their runway needs.

Most airports are owned by states, counties, or cities, sometimes through the medium of public authorities. It takes time for them to make plans, secure the all-important financing, and then construct the additional runway footage and build the other needed terminal improvements. Even New York's Idlewild International Airport, whose new units are just beginning to come into use, may not fully meet jet-age standards when its remodeling job is completed in 1959 or 1960.

II. Hushing the Jets

Forget the jets' thirst for fuel and their need for longer runways, and you still have to worry about a couple of items of airport housekeeping—some way of quieting their engine blast so the neighbors and the customers can stand it, and some way of keeping the runways and ramps spotlessly free from debris that the air intakes could suck up with crippling effect.

• **Noise Suppressors**—Noise may be the worst problem, anyone who has heard a multi-engined jet at close range may conclude. But it's a problem with solutions already at hand.

To kill the low roar that comes from the tailpipes, all jets that are on order will come equipped with noise suppressors. These devices, which smooth the turbulence of exhaust gases that drive the planes, will depress the noise level on takeoff to below that of today's biggest planes. This may please the people who live near the airports, but it is costly. American Airlines estimates the price tag on each suppressor—one per engine—at around $37,000. Besides, by reducing thrust and adding drag, the gadgets will add about 4% to the fuel bill.

• **Blast Fences**—To quiet the short-range whine of the compressors while planes are entering and leaving the loading area may call for remodeling of the terminals. And this problem applies to the turboprop planes as well as the pure jets. The Vickers Viscount, for example, makes an ear-piercing whine while taxiing, and when such planes become more numerous, this sound could be seriously annoying.

Fortunately, the high-frequency whine carries only a few hundred feet and doesn't go around corners without losing its bite. Tests at Boeing Airplane Co. show that it can be controlled by enclosing the passenger concourses and by setting up 7½ ft. blast fences.

American Airlines plans to run its jet airliners into bays that incorporate both blast fences, sound-tight passenger concourses, and enclosed gangways (far left). Ground crewmen working in exposed places will have to wear ear muffs or helmets. The fences will keep the noise from one plane from bothering service crews at adjacent stations.

United Airlines is also talking about protecting its passengers' ears by soundproofing the walkways. Trans World Airlines is making its $12-million modernistic terminal at Idlewild adaptable enough so it could use whatever system turns out to be best.

Of course, airport operators aren't looking happily toward the day when they will have to air-condition these passageways as well as waiting rooms.

• **Vacuum Cleaners**—Spick-and-span housekeeping of runways and aprons becomes more than a matter of pride in the jet age. The Air Force has found that the path of jets must be meticulously swept, to keep bits of gravel and stray metal from whisking into jet intakes and ripping engines apart.

Now, the civilian airports will have to be equipped with king-sized vacuum cleaners to protect the jets. An example of this new type of equipment is the snout-nosed, 25-mph. Fruehauf Cole-Vac cleaner that Coleman Engineering Co. developed for the Air Force (picture, page 94).

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SUPER TRACTORS like this $40,000 model built by R. G. LeTourneau for the Air Force will be needed to haul 100- and 150-ton jet airliners around wet or icy airports.

the jet airliners are handled on the ground. That's largely because of their thirst for fuel. A typical new jet will burn as much fuel per minute while idling on the ground as a DC-7 burns while in the air. American Airlines calculates it will cost $2.50 for each minute a jet spends taxiing or sitting at the head of the runway. That's at a fuel consumption rate of 700 gal. an hour.

III. Economizing on Fuel

Ever since jets were first discussed and their fuel rates were figured, experts have been predicting ways that the airlines would save fuel. For instance, an incoming jet liner could cut off its engines the moment it stopped rolling, then wait for a tractor-tug to haul it to the terminal.

It now appears that the airlines won't adopt this tactic, mostly because it's such an ignominiously slow way for a 600-mph. jet to travel the last lap of its journey to the unloading gate.

• **Parking Space**—Most airlines say they plan to taxi the jets both in and out of their parking stations on the apron. One exception is American, which will taxi the planes in, head-on to the terminal, but tow them back out and turn them around by tractor. This has the advantage of saving parking space; with no need for room for the pilot to pivot the plane under its own power, each plane will need only 180 ft. instead of 220 ft.

• **Waiting Time**—One way the lines will save fuel is to leave their jet planes loaded at the terminal until the control tower clears them for take-off. Then they'll start the engines, taxi directly into take-off. This saves minutes of idling at the start of the runway, where pilots now ask the tower for clearance.

Of course, when take-offs are delayed by traffic or weather, parking space at the gates may be needed before the loaded planes get their all clear. In such cases, the airlines plan to move them to nearby waiting spots and shut down the engines again, except for one idling to supply electricity.

• **Stacking Up**—Bad weather could also trouble the incoming jet liners more than today's piston-driven planes. The new planes will burn fuel fast enough at their designed cruising altitude of 30,000 to 35,000 ft. As they descend, they burn fuel faster until at sea level they consume 20% more. So they could use up their reserves at a great rate if they were forced to circle for long at low altitudes.

Nevertheless, the latest word is that jets won't get priority over older types in landing. They'll have to carry reserves of fuel in the same ratio as present planes; they'll have to take their turn landing. The only concession planned will be to stack them at 20,000 ft. upward, instead of only a few thousand feet. When they get clearance to land, they will dive fast, relying on dive brakes—the first ever fitted on American airliners (the French Caravelle uses them)—to check their speed for touchdown.

Airlines are also campaigning for better weather reporting, so jets won't waste time going to a closed-in field or circling in vain to wait for it to open.

IV. Keeping Them Moving

The whole business of handling the passengers on the ground—from the making of reservations to the loading of people and luggage—is the field where improvements would pay off most handsomely as a competitive advantage, says American Airlines. Most airline officials



Elevator Doors open instantly as car arrives at floor



Doors are wide open as Tulsa Scout Troop 134 starts to leave operatorless elevator



Polite Doors remain open and motionless as long as necessary



Doors close promptly after last Scout leaves the car



The PHILTOWER building in Tulsa, Okla., was contributed by Mr. Waite Phillips to the Boy Scouts of America. The income derived from its operation is used to support the Philmont Scout Ranch in New Mexico.

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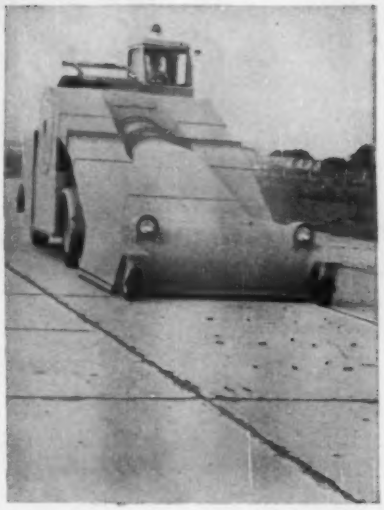
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VACUUM CLEANERS like this Fruehauf Cole-Vac will groom runways for jets.

will admit that improvements are overdue, even without the prospect of jets.

That's one reason the new $29-million International Arrival Building opening this week at Idlewild contains such a feature as a 64-aisle supermarket-type checkout stand for getting passengers quickly through Customs (BW—Sep.21'57,p30). Today's planes carry so many people that baggage-claim and Customs facilities are periodically overloaded. The jets will bring still bigger crowds, as many as 150 at a time.

Both from their own standpoint and that of the travelers, the airlines see more pressure to keep the planes moving. The jets represent an investment of around $6-million apiece, and they earn money only when they're flying. Meanwhile, their speed—for instance, 1½ hours from Chicago to New York—will make any delays on the ground doubly aggravating to riders.

• **Fast Loading**—For faster loading and unloading, the jets will have a door at each end of the cabin. United and American will go a step further by eliminating the mobile stairs, loading and unloading instead from the second floor of the terminal. Both are experimenting with Lockheed's swinging, telescoping, covered Aero Gangplank (drawing, page 90). United, who is getting the first one, will install it at Chicago's O'Hare field.

TWA hasn't committed itself on second-level loading, but it is planning to use moving sidewalks to carry passengers through the plane-loading concourses. Some lines, including American, expect to preload baggage in bins to speed up this phase of the operations, too.

Preloading of passengers is also the idea of Clark Equipment Co. (page 74) with its "Passenger Pod" system of taking people to and from planes re-



...for harassed executives (and their wives!)*

Why do so many busy executives prefer to take the time to travel aboard the California Zephyr? Are they wasting their time, their company's time? Quite the contrary. They are doing themselves and their companies a favor.

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take the time to take the train





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"... bigger tugs are being groomed for the job of towing the jets ..."

AIRPORTS starts on p. 90

mote from the waiting room. These detachable, bus-like units carry 40 to 60 passengers and cost $6,000 to $8,000 each (drawing, page 90). As airports grow in acreage and the jets produce more problems on the ground, interest in such systems is expected to grow.

Meanwhile, the airlines expect to cut a plane's turnaround time to half an hour by moving passengers on and off at one level while the servicing goes on at ground level. Gasoline trucks may be replaced by underground hydrants with high-pressure systems that can load the fuel tanks at 1,700 gal. a minute.

• **Planes on Rails**—Philadelphia's Div. of Aviation proposes a system to haul planes around airports on rail flatcars (drawing, page 90). A built-in rail system connecting each gate position with the ends of the runways would carry the jets back and forth without using their engines. They could even be fueled and serviced while being piggybacked on the rail cars; they wouldn't be making any noise near the terminal.

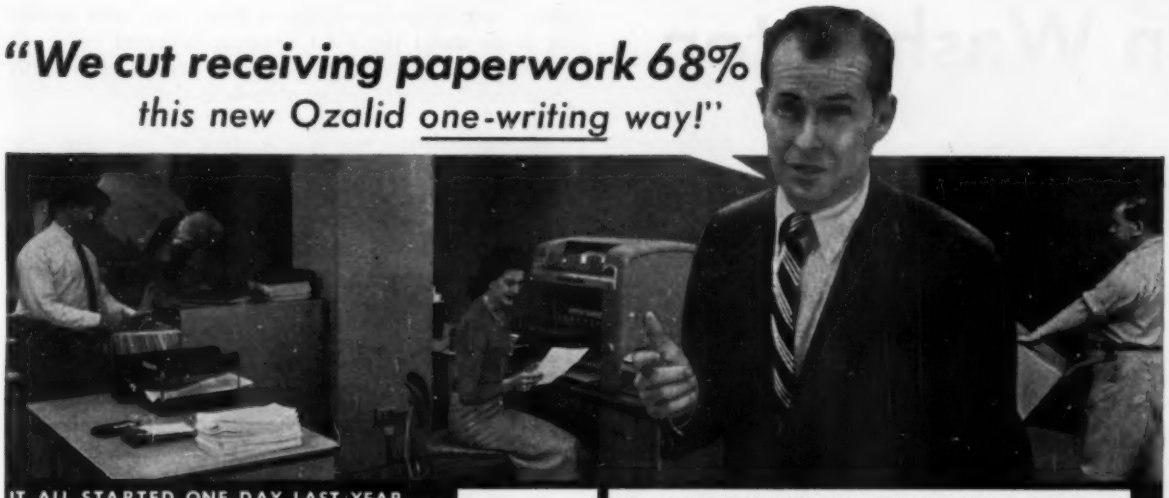
Marvin Whitlock, American Airlines vice-president, calls this the first new idea for airports in years. He thinks someone who's building a brand new airport may yet adopt it, though it's still in the drawing board stage. Cost is estimated at $150,000 per gate position.

• **Bigger Bugs**—Even with conventional ways of moving planes around airports, the jets look like a formidable problem. They will weigh 250,000 to 300,000 lb., which is about all any ordinary airport tractor can pull. When the pavement is wet or icy, towing gets still harder.

Bigger tugs are being groomed for the job of towing jets. They'll weigh 15 to 20 tons and be priced at about a dollar a pound. F. G. Hough Co. will have one for $28,000; R. G. LeTourneau, $40,000. Clark Equipment, which claims it sells most of the airport tractors nowadays, plans a supersized model.

Other manufacturers favor a different approach. They plan to use the weight of the airliner itself to give traction as they apply power to the plane's own landing wheels. Napco Industries, Inc., and Air Logistics Corp. do this by clamping a powered wheel against a landing wheel tire, turning it by friction. Consolidated Diesel Electric Corp. uses slip-on hydraulic motors—coupled to a mobile power unit—to turn the jet's landing wheels and to supply electricity to the plane; the unit costs about $22,000 (BW—Oct.12'57,p126). **END**

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W. Wilson White Will Head Justice's Civil Rights Unit

W. Wilson White, a top legal deputy on Atty. Gen. William P. Rogers' staff, will head the Justice Dept.'s new civil rights division. White had headed the department's Office of Legal Counsel since March, serving with the rank of an Assistant Attorney General. For that reason, **his new appointment will not require Senate approval.** Thus, a possible fight over confirming a man for the new post is avoided.

White served as a U.S. District Attorney for Pennsylvania from 1953 until he came to Washington this year. He is a former law partner of Rep. Hugh Scott (R-Pa.). In his new job, **White will handle government prosecution of alleged violations of the right to vote under the civil rights legislation passed last summer by Congress.** He would also play a major role in any future cases, like that in Little Rock, where state or local authorities refuse or are unable to comply with federal court orders to desegregate public schools.

• • •

Gas Pipelines See Fiscal Disaster In Court Pitfall on Rate Raises

Natural gas pipelines claim that grim financial difficulties lie ahead for them unless a new court decision is reversed.

In a case involving United Gas Pipe Line Co., the federal Court of Appeals in Washington, D. C., last week ruled that a pipeline cannot even apply for an increase in rates unless it first gets the specific approval of all its customers who would be affected by the boost.

Pipeline people say this decision, if it stands, will be "catastrophic" for the interstate gas business, since it would be difficult, if not impossible to meet the consent requirement. They add that unless the pipelines have some means of obtaining badly needed price increases they will be unable to obtain the financing necessary for the expansion and improvement of services.

The Federal Power Commission is expected to appeal the decision to the Supreme Court.

• • •

FHA Sounds Out Public Opinion On New Mortgage-Insurance Plan

Twice last week the Administration sent up a trial balloon on a radical new Federal Housing Administration mortgage-insurance plan. The idea: to let lenders set interest rates on mortgages, then insure only the top portion—perhaps the final 20% of the loan figure.

In theory, this would encourage investors to put more money into home mortgages—a thing they were unwilling to do under the FHA program in recent years. It would also allow low down-payments and lower monthly installments, which might stimulate the homebuilding market.

By underwriting the top portion of the loan, the government would in effect guarantee the lender against a loss, at the same time allowing him to get a better return on his investment.

Administration spokesmen say the new system, if it is adopted by Congress, would be offered as an alternative to the present program. In effect, it would almost certainly replace the controlled-interest system.

The first Congressional reaction was unfriendly. Rep. Albert Rains (D-Ala.), chairman of the House subcommittee on housing, said it was "ill-conceived," and concocted solely to embarrass the savings and loan industry." Rains said Congress would not accept it.

• • •

Oilmen Clash Over Extension Of Import Curbs to Far West

West Coast oil producers and major importing companies clashed this week over whether oil imports to the five westernmost states should be limited.

Under the program announced by Pres. Eisenhower last July, importing companies have been asked voluntarily to limit imports into the area east of the Rockies. The West Coast area, which produces far less crude than it needs for its own requirements, was left out of the original program.

Oil Imports Administrator M. W. Carson conducted a hearing this week to determine whether the West Coast should now be brought under the restriction program, since a new pipeline will be available in February to bring in additional domestic oil supplies from the Four Corners area of New Mexico.

Spokesmen for the domestic producers, fearing a stepup of imports, argued that the West Coast should come under the restrictive program. Officials of major importing companies proposed continued exclusion since California is an oil-deficit area. **A decision is expected from top Administration officials by the end of December.**

• • •

Senate Subcommittee to Study Means of Aiding Sagging Railroads

A Senate Interstate Commerce subcommittee will start hearings Jan. 13 on the deteriorating economic situation of the railroads. The subcommittee will study how the rails can help themselves, how they might be aided by changes in policy by the Interstate Commerce Committee, and how new laws might help them.

Meanwhile, the Civil Aeronautics Board again rejected a plea by major airlines for an emergency 6% boost in fares. CAB is now listening to airline requests for regular boosts of 12-20%, but the lines expect no final ruling before the middle of next year.



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BUSINESS ABROAD

The Whalers Are Sailing Again



LOOKOUT in crow's nest atop the foremast sights sperm whale off coast of Peru.

A U.S. company, in partnership with Peruvian investors, is going after sperm whales to assure a supply of oil for its refineries.

The last of the Great American whalers was the Charles Morgan—a square-rigged three-master with a glorious past. It made its final voyage in the fall and spring of 1920-21. Since then, a few merchant-type ships have gone whaling out of American ports—the last one, called the Ulysses, in 1938.

Now Archer-Daniels-Midland Co.—a landlocked Midwestern company—is putting this country back in the whale-catching business. Along with Peruvian businessmen, it has invested nearly $1.5-million to hunt sperm whales off the coast of Peru (pictures)—about 600 mi. north of Lima, almost on the equator.

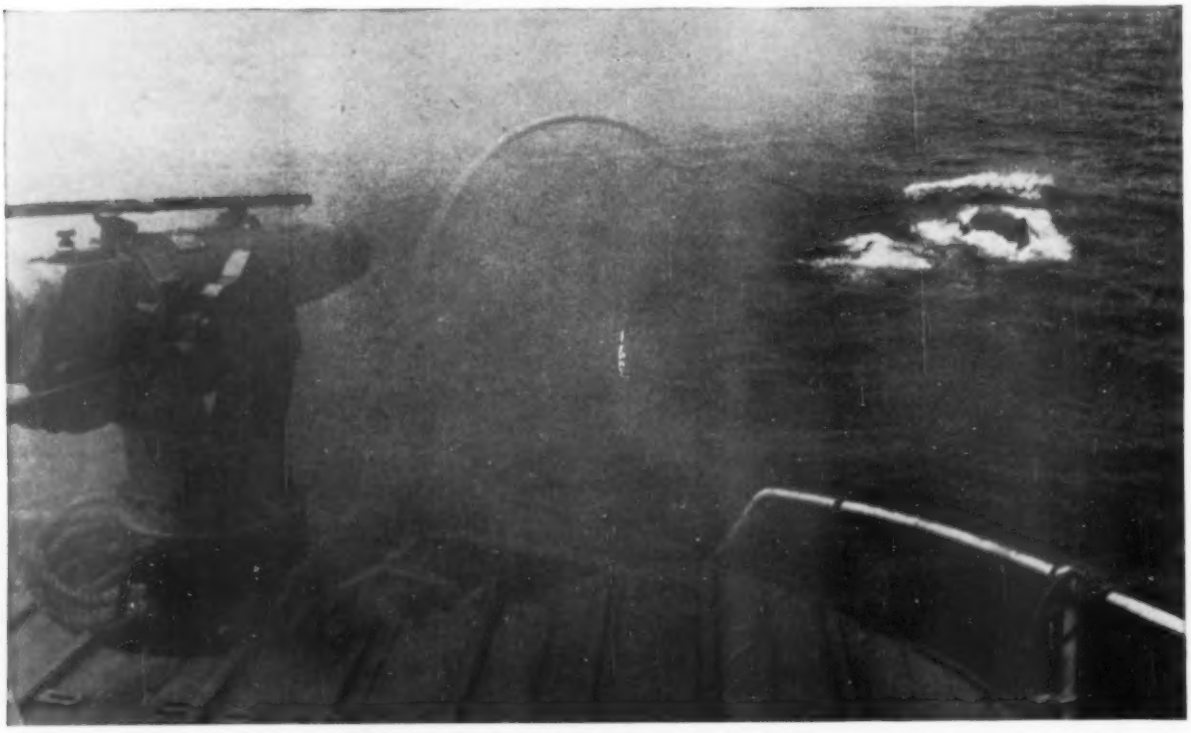
• **Natural Oil Supply**—ADM is a versatile processor of agricultural products and fish oils – from soybeans to sperm whale oil. It began processing whale oil in 1933. Long before that, whale oil had lost its main value when kerosene made oil lamps obsolete. But there were still new uses for the boiled-out blubber—in cosmetics, textiles, engines, and all sorts of chemical compounds.

Processed whale oil is still only a fraction of ADM's $211-million business. But the company supplies 75% of the U. S. market—with Swift & Co. and Werner G. Smith Co. divvying up the rest. And the market is growing.

• **Ancient Art**—To Americans, whaling is not entirely a bygone art. A handful of shore stations along the California coast still catch the big fish. Old shiphands along the New England coast, in Nantucket and New Bedford, can still detail the intricacies of harpooning and flensing whales—the way it was done aboard the Charles Morgan.

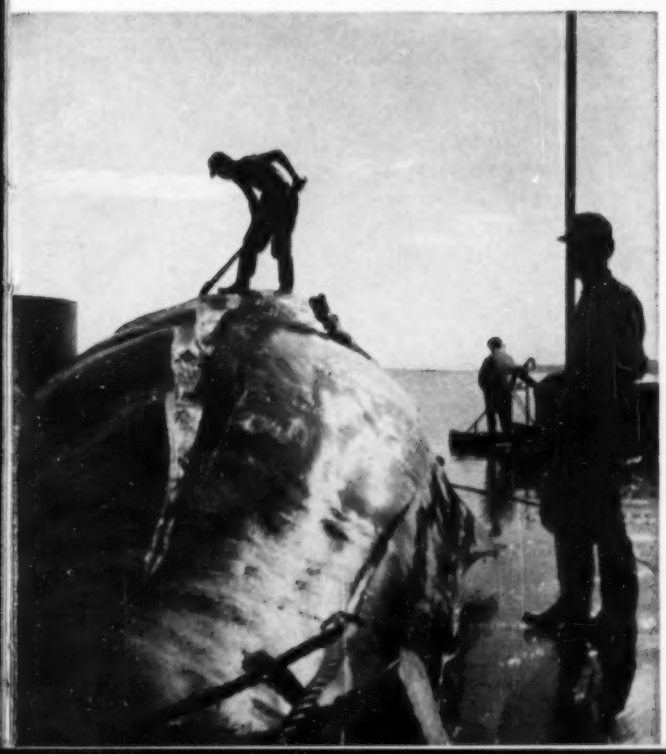
Lately, the job of catching, cutting up, processing, and selling these elephants of the ocean has fallen to the Norwegians, Britishers, and Dutch – with the Japanese and Russians adding fresh competition since the war. These foreign fleets have gone after the blue whales and finbacks – which provide both oil and whale meat, a standard food in many countries—rather than the oil-rich sperm whales that ADM needs.

That's why the company has decided to catch its own sperm whales off the



HARPOON GUN fires explosive "warhead" into the whale. The whale dies instantly when the charge explodes, is then hauled in by rope.

GOOD WHALING off coast of Peru prompted Archer-Daniels-Midland to set up a new kind of whaling station to supply its oil needs.





BLUBBER is stripped by lemmers using poles with knife blades. Then, powerful winches haul pieces to huge cookers for making oil.

FACTORY ashore, flensers wearing metal-spiked boots carve up the whale carcasses into huge pieces.



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". . . changing hats fools whales into a false sense of security . . ."

STORY starts on p. 100

Peruvian coast. This move guarantees a steady oil supply for its three Stateside refineries.

While this decision has caused a good deal of amusement around headquarters in Minneapolis, the fact is that ADM is picking up where American whaling history left off and reviving an old art—for strictly business reasons.

I. Bringing 'em Back

There's still some romance in whaling—even with the techniques used by ADM off Peru.

Alfred Pedersen, captain of the Don Juan—one of the three ships based at Paita, the shore station, spent most of his life sailing out of Sandefjord, Norway's whaling capital.

Now in his early 60s, he continues to use all sorts of tricks to catch whales. He wears a dirty old beret while putting out to sea, but changes to a Panama hat when the sun breaks through the clouds, because—he says—changing hats fools whales into a false sense of security.

And ADM's expert flenser, German-born Irwin Kothe, who directs the cutting up at the shore factory, makes trinkets from whale teeth in his spare time.

But the ADM operation also lives modern. Roberto McCubbins, a 57-year-old Peruvian who is factory superintendent, keeps in radio contact with ADM ships and the main office in Lima. Crewmen sound off on sighting a school of whales—but not with the traditional "thar she blows."

• **The Hunt**—Here's what happens on one of ADM's fast-moving hunting trips:

Capt. Pedersen takes the Don Juan out some 50 mi. from the coast. At sea, he spends the whole time either in the wheelhouse or on the harpoon deck.

When the ship closes in, a whale feels the beat of its propellers and usually dives below the surface. It stays under for some 20 min., swimming an erratic course. The captain, from long experience, follows a zigzag course that, he hopes, follows the whale's underwater path. Then he shuts off the engines—and the whale, not knowing the ship is close at hand, surfaces.

The gun on the harpoon deck lets go with a roar. The harpoon enters the whale. Three seconds later, the

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harpoon charge explodes. The ship draws up alongside the whale.

Crewmen cut off the tail, in case the whale is not completely dead, to prevent its smashing into the ship. They inflate the whale through an air hose. Finally, they stick in the whale's side a 15-ft. pole with a battery-powered automatic light and numbered flag attached. Later, on the trip back to port, the ship picks up this whale and seven or eight others that have been killed and cast adrift, and tows them to shore.

• **Factory on Shore**—At the factory, powerful winches haul the sperm whales—enormous creatures weighing as much as 60 tons and lying 65 ft. in length—onto the flensing deck. Each whale's tonnage is measured to determine the bonus paid the captain.

Then 15 skilled flensers and lemmers cut the whale into five sections—sides, back, bottom, head, and jaw—using steam-driven saws and sharp, curved knives on long poles. During the hour of cutting up, the flensing deck is a mess of entrails, blubber, and blood that creates an awful stench. Finally, most of the whale is dumped into huge, German-made pressure cookers. Chain-driven paddles crush the pieces of whale under great steam pressure.

After this, the sperm oil goes through further processing and finally to storage tanks on the hillsides behind the factory. At intervals, lighters take the oil to offshore Grace Line steamers for shipment to refineries in the U.S.

II. Changing Techniques

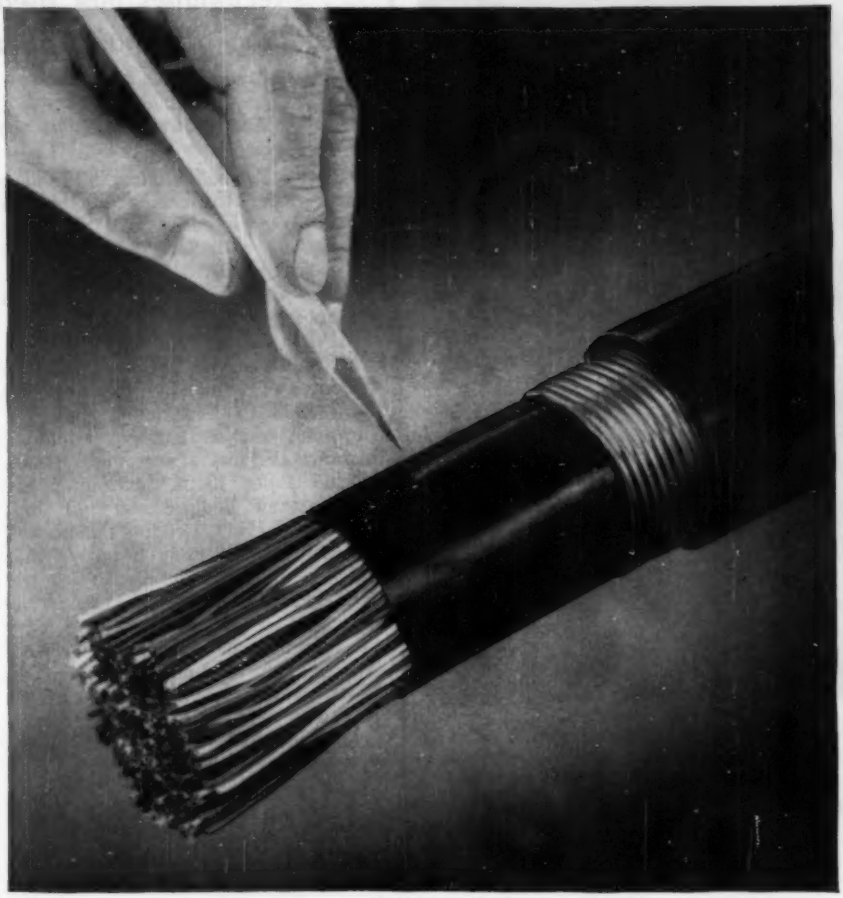
ADM's method of whaling—from a land station—is really a modernized version of the method used in the 17th and 18th Centuries, when whaling was a young industry.

In the early days, lookouts at shore stations would scan the horizon for the telltale spout of a whale. On sighting one, they would give the signal for the hunt. Small boats would put to sea, harpoon the whale, and tow it to shore for cutting up. Thus, countries close to whaling grounds—such as Norway, Britain, and the U.S.—got into the business first.

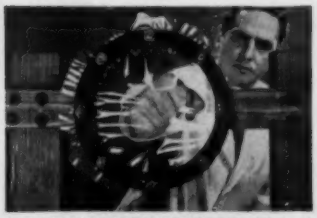
During the 19th Century—the golden age of whaling—bigger ships outmoded the shore stations. These ships served as a combined lookout, killer, and cutting-up factory.

• **Yankee Whalers**—This is the job that the Charles Morgan did for 80 years—from its launching in 1841 to its last voyage in 1921. It would stay at sea 32 to 34 months at a time, with 28 officers and men aboard. It ranged the South Atlantic and Pacific, following the migratory routes of whales.

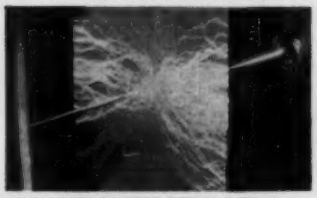
A "lucky ship"—as whalers have called it—the Morgan survived numerous typhoons in the China Sea, attacks



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Electronic Signal Co., Inc.	toll collection equipment, electronic scales

". . . techniques now used are killing off whales at a fast clip . . ."

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by native Pacific islanders, and bouts with whales themselves. Conditions aboard were rugged; voyages, expensive. But the long months at sea would bring an average profit of $60,000 a voyage to its seven successive owners in Provincetown and New Bedford.

At its peak in the mid-19th Century, whaling was an art in which Americans led the way. In the period from 1835 to 1850, more than 650 ships out of New England would be roaming the seas at any given time—all but about 40 of them in Pacific waters. New Bedford had 400 ships afloat, with New London, Nantucket, and Sag Harbor, Long Island—in that order—sending out the rest.

• **Mechanized**—Then, kerosene replaced whale oil and put the majority of old-time whalers out of business. At the turn of the century, Svend Foyn, a Norwegian, invented a harpoon gun with an exploding charge that helped put the remaining whalers on a thoroughly businesslike basis.

In modern whaling, there's a division of labor—a large factory ship and a fleet of chaser or killer ships. The killer ships harpoon the whales, tow the carcasses to a ramp at the stern of the factory ship. The factory ship hauls them aboard and processes the meat, blubber, and bones.

• **Bag Limit**—This season, 20 whaling expeditions from Norway, Japan, Britain, Russia, and the Netherlands will hunt the Antarctic. The International Whaling Commission sets a limit on the catch—a total of 14,500 whales each season. Within this limit, an expedition costing as much as $4.5-million has to race to make enough catches to come home with a profit.

Two factors are adding to the competition among whalers. The mechanized whaling techniques now used are killing off whales at a fast clip. And more countries are joining the chase. This has forced the Whaling Commission to reduce the catch limit periodically.

III. The Need for Oil

ADM's problem is not competition with whaling expeditions from other countries. It's simply that foreign whalers don't hunt sperm whales, but instead go after other species that are valuable for both oil and whalemeat.

ADM first moved into the sperm-oil business during the depression by purchasing the inventory of a small marine-

oil company in New York. The major use for sperm oil then was as a fuel for railroad signal lamps.

Along with developing new uses for marine and animal oils, ADM—under the direction of its fats and oils specialist, "Bud" Coburn—began putting money into research on sperm whale oil. The oil—actually a liquid wax—resists oxidation, won't dry into a paint-like film, and is noncorrosive. Now you find it used in automatic transmissions, watches, facial creams, printing ink, industrial detergents, and many other products or processes.

• **Insuring Supply**—For a time, ADM chartered whaling expeditions to keep the supply of sperm oil flowing to its refineries at Bayway, N. J., Ashtabula, Ohio, and Wyandotte, Mich.

It also had an interest in Spermacet Whaling Co., which owned the S. S. Anglo Norse, a 16,000-ton whaler that hunted off the coast of Peru. This was an example of the cost of such operations: To break even, the Anglo Norse had to catch 2,500 whales in a single expedition.

Recently, ADM has looked for a bigger—and steadier—supply of sperm oil. Foreign expeditions have come back year after year with smaller catches of sperm whales—even though there's no limit set on the number of this species that can be caught within the total set by the Whaling Commission. Besides, the cost of operating factory ships has gone up rapidly since the war.

So, last year, ADM bought a half interest in a Peruvian whaling company—Cia. Ballenera del Norte. To reduce costs and get full value out of each whale caught, ADM returned to the old idea of building a shore station to serve as a whale factory. Killer ships would go to sea for several days, harpoon whales, leave them floating during the hunt, and finally—after killing a sizable number—tow all of them back to shore for processing.

• **Favorable Current**—ADM picked the location for the station on the Peruvian coast near the famous "line grounds"—the whaling grounds along the Equator. Here the Humboldt Current sweeps north along the coast of South America, bringing whales close to shore.

Though desolate, the site has a good harbor for ADM's three killer ships. The company has built a processing factory, warehouses, living quarters, and equipment for converting salt water into fresh water. A 100-man staff works at the station.

A few months ago, the shore station began operating. ADM figures that its three ships will have to catch about 1,500 whales to keep the station working at capacity of 4,000 tons of sperm oil annually. Sperm whales average about 2½ tons of oil each. END

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Building a Ruhr in the Congo . . .

Brussels has just given go-ahead for a long-range, $3-billion power development that would provide the world's cheapest electric power and could make the Belgian Congo an industrial nation; its biggest hurdle is lack of trained labor.

The Belgian government last week hurriedly approved a huge $3-billion power project for the Belgian Congo, Africa's richest colony. The plan is to develop the power potential of the Inga Rapids (picture below; map, right) on the lower reaches of the Congo River.

It's a long-range proposition, to be completed in stages, with 20 to 30 years required for its full realization. But when it's finished, the Inga project would be the world's largest and cheapest source of electric power—and it could provide a base for enough industry to make the valley an African Ruhr.

• **In a Hurry**—The Belgian government acted with a speed that might seem paradoxical for such a long-term scheme. It rushed its decision through a special session of the cabinet, and dramatized the action by having King Baudouin sit as chairman of the meeting.

But there was a reason for the haste and the drama. The Belgians wanted to head off a French plan to build a power project almost next door on the Kouilou River in French Equatorial Africa. If the French scheme should get under way first, the Belgians apparently figure, several U.S. companies that have shown interest in the Inga plan might put money on Kouilou instead. So might the World Bank—another source of capital Belgians want to tap.

Until recently, Brussels had been hoping that the French would drop their scheme and rely on Inga for power for industrial development in French Equatorial Africa.

• **Political Overtones**—Brussel's official green light for the Inga project has political as well as economic implications for the Belgian Congo. With Belgium committed to spend vast sums on further development of the resource-rich area, there's no doubt that the mother country intends to pursue the same colonial strategy as in the past.

That means continued emphasis on economic development and the material advantages it brings to the native population. In the Congo, the Belgians have always relied on visible material achievements, rather than on progress toward self-government, as the most practical way of reconciling Belgian and Congolese interests (BW—Feb.9'52,p145).

Now it looks as if the mother country is betting that the hopes aroused by the tremendous Inga project will cause the Congolese population to want the Belgians to stay at least until it is completed. That would mean another generation of Belgian rule.

SITE of Belgian Congo's ambitious power project is Inga Rapids, on lower Congo River; its water flow is four times that of Niagara. Eventual plans call for a dam here.



• **Pressures**—Of course, no African area could wholly escape the political pressures so evident throughout the continent—and the Congolese are finally being initiated into Western political ways. As one answer to the charge that the Belgians have filled the stomachs of the natives but neglected their political rights, the first democratic elections ever held in the Congo will take place Dec. 8 in the colony's three biggest cities: Leopoldville, Elizabethville, and Jadotville. But these are strictly municipal elections (separate white and Negro mayors will be elected in each city).

The hard fact is that Belgium faces some tough political problems in its heart-of-Africa colony. Colonialism is in bad repute, even today's "enlightened" Belgian brand, and external as well as internal pressures will be felt in the Congo. These will come from the nearby Rhodesias and French Equatorial Africa, which are at varying stages in the achievement of self-government, and from the whole outside world.

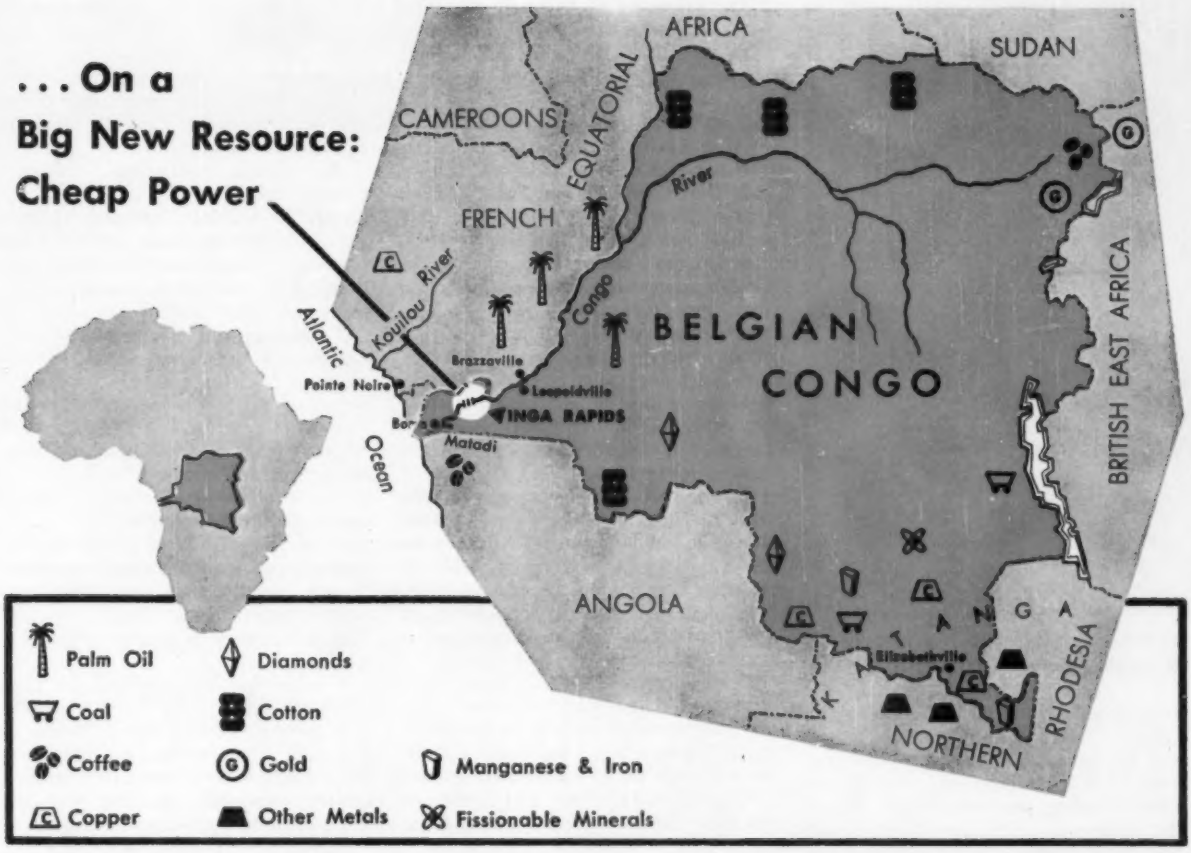
That's why the Belgians are keen to have some U.S. investment in the Congo, even a limited nature—as insurance for the Congo's survival in Belgian hands. (Some, though, fear that too much foreign money too quickly invested would, in the end, challenge Belgian financial rule.)

• **Aim**—But despite trials that loom ahead, and some pessimistic forecasts of native unrest, explosion, and doom, the big Belgian companies have jointly stated their intention of investing heavily in Congo development. The hope is that these investments will create an economic situation that will also provide the right climate for political development—that within 25 years, with economic advance and barring any setback, some form of national self-government can be worked out and the colony's major problems resolved.

Critics say this reasoning is determined by the interests of the five big Belgian trusts that dominate the Congo's economic life—Societe Generale, Brufina, Cominiere, Baron Empain Group, Huilever. These companies, say the critics, would be first to suffer if voting rights were given to the 12.5-million natives (and the 100,000 white settlers would be heavily outvoted).

In any case, the Congo government takes the firm position that the big advances must come first in other fields than politics—with gradual education of the natives in government, and national elections only when they are ready and a Belgo-Congolese community of interests has been achieved.

. . . On a Big New Resource: Cheap Power



• **Industrial Blueprint**—If the impact of the Inga project on the Congo's political future depends on somewhat unpredictable political forces, its industrial impact is clear. With full realization of the plan as now proposed, the Congo could become one of the world's important industrial nations.

Already, the Congo exports 75% of the world's industrial diamonds, leads the world in cobalt, is fourth in tin, fifth in copper, 12th in gold, and has had a paramount position in radio-active minerals, including uranium.

The Congo's potential hydro power capacity is enormous—nearly twice that of the Soviet Union, for example. The completed Inga power project, outstripping any other hydroelectric installation in the world in size and economy, would be a powerful magnet for those countries of the European Common Market that have no African territories—Italy, Holland, West Germany, and Luxembourg (BW—Apr.20'57,p112). Power-hungry industries of energy-starved Europe could find their power at one-eighth of European prices.

One major possibility: Inga's cheap electricity would lend itself easily to isotopic separation for enriched atomic fuels for European industry.

• **Private Enterprise**—Private enterprise, Belgian and foreign, will be invited to use the power: the Belgian government has decided to take no part in Inga industry. Under the Congo Basin Treaties, foreigners have equal treatment in mining rights, land tenure, and water rights. The law imposes no limits on foreign capital investment, no restrictions on foreign personnel in management. It's called the "Congo Open Door" policy.

In practice, however, ownership has always been in Belgian hands—and much of the earlier delays on the Inga project can be traced to this. Martin Theves, president of Cominiere—a company with substantial holdings in rail and truck transportation, and largest producer of Congo lumber—is credited with finally getting the other companies to move. (U. S. Plywood Corp. has a 25% interest in Cominiere's subsidiary, Agrifor.)

• **Long Road**—Realizing the Inga dream of an African Ruhr will be a formidable undertaking, however.

The hydroelectric power site is located on the lower Congo River corridor to the Atlantic, just above ocean navigation (map). There the Congo at low water is higher than the Columbia River at high water; the flow of water is four times that of Niagara. The Congo drains a basin of about 2.3-million sq. mi.

The Inga site, on a long, flat plain, offers first-rate possibilities for high-voltage transmission north and south over long distances. This would permit export of power to the burgeoning Pointe Noire area—150 miles away in French Equatorial Africa, and now scheduled to get power from the French project at Kouilou—and to Loanda, 250 miles away in Portuguese Angola.

But the area is tropical, humid, and swarms with mosquitos and giant African gnats. It's now being prepared by aerial decontamination, however, and survey engineers of Ebasco Services, Inc., say climate, sanitary conditions, and physical aspects do not present construction or engineering difficulties in the early stages. (Besides Ebasco, three European firms have made studies for Brussels.)

• **Finances and Costs**—The Belgian colonial ministry originally set 1958 as the target date for start of construction, but this now seems unlikely before 1959. Construction will not begin until aluminum producers sign a satisfactory contract for power, and they are not likely to do so until construction specifications are prepared and the economic and administrative setup fully determined.

Construction will be by stages. First stage will be a power station at Shongo



CONGO'S Governor General Petillon puts economic growth before political advance.

to generate 1.6-million kw. of power by simply diverting water; present plans call for completing this by 1964 at a cost of $200-million to $300-million (not including ports and docks to handle shipping). The second stage will add more stations, stepping up capacity to over 8-million kw. Up to this point, financial requirements will be relatively light. It's the third stage, requiring damming of the Congo, that calls for the big money.

First-stage power will be sold for about 2.5 mills per kwh.—cheapest rate anywhere. When the whole project is finished, this will drop to about 1.2 mills per kwh. This compares with 4 mills per kwh. for big deliveries to Oak Ridge for isotopic separation. In Europe, Euratom planners figure nuclear power costs in 10 years at something like 10 mills per kwh.

• **Drawing Power**—What industries can Inga attract? Most promising is aluminum—but the catch is that large-scale producers now feel there's world over-production in aluminum. However, the Belgian government is convinced that by the time the first stage is completed, the market for aluminum will have grown substantially.

The Congo has no bauxite, but French Guinea, 2,000 water miles away, has large deposits, now sends a steady flow as far as France and Canada. Bauxite also has been found in Ghana. Transport is not a problem—bauxite from Jamaica is shipped nearly 5,000 miles to Kitimat, B. C.

Inga power could also be used for manufacture of abrasives, ammonia for fertilizer, sponge iron—for which there's a big demand in Western Europe—and for ferrosilicon, silicomanganese, ferromanganese, chlorine and caustic soda, and beryllium. An industrial area, once established, would act as a magnet for other industries.

• **Minuses**—There are some minuses as well as pluses in the balance sheet, however. There's a wide range of industries that a Congo Ruhr would not be able to tap—mainly those that need coke or petroleum as a fuel or feedstock, for the Belgian Congo has neither. It's hoped that prospecting for petroleum in neighboring Angola will one day turn up an adequate oil supply. In the meantime, such fuel must be imported.

Shipping and inland transportation are other problems. Both need considerable improvement—and that means substantial investment.

• **Labor**—But the biggest single difficulty in the way of Inga development is lack of human resources. There's no labor force in the Congo capable of handling the preliminary phases of development. That's why opponents of Inga call it an African dream and a massive waste of time and money.

For the construction job, from 5,000 to 10,000 skilled workers, technicians, and specialists will have to be imported. No one knows how long it will take to train enough skilled workers to operate the power installations and industries once they are built—or how many Congolese can be trained for such work. Though plans call for maximum automation, the Congo can offer practically no manpower to supervise automated equipment. It was this uncertainty about a skilled labor supply that caused one U.S. steel company to refuse to consider the project.

By African standards, however, Congo education is moving ahead. Nearly 1.5-million Congolese children are receiving instruction and vocational training. Two universities emphasize training of doctors, engineers, agronomists, and other specialists.

To back up the educational program, Governor General Leo A. M. Petillon (picture) told the government council, no color line will be permitted in employment practices or advancement. Merit is to be the sole basis for determining an applicant's fitness, whether he is Congolese or European. Natives can move up to jobs they can handle, and are given cards of merit entitling them to live in white men's quarters—though usually they find rents and white men's taxes too much to carry. This is in line with current official policy in Brussels.

Petillon has also declared for close social contact between the two peoples. The governor general pins his hopes on achieving through mutual interest a Belgo-Congolese community and a healthy Congolese economy that will stand erect in any African tempest.

West Germany's Export Boom Falters

New orders for steel and heavy equipment are falling off and competition with Britain and France is keener.

This week it became evident that West German exporters—who have made life difficult for many American and British exporters since the German industrial recovery got into full swing during the Korean War—were having troubles of their own. New orders for steel, capital equipment, heavy trucks, and heavy electrical equipment are dropping, indicating the six-year export boom may be leveling off. The main cause is a cutback in imports by such countries as India, Indonesia, and some of the Latin American republics.

• **Keen Competition**—With overseas markets shriveling up, the Germans are facing stiffer competition from British and French exporters. German companies claim they lack the financial strength to grant liberal payment terms demanded by the underdeveloped countries. They are particularly bitter about what they call France's subsidies to heavy equipment exporters. And, now, they're afraid they will be facing increasing competition from American producers who will turn to exports should the domestic market fall off.

The only bright spot in the West German picture is the continuing growth of the West German market itself. The Christmas trade is expected to be good. But beyond that, no one is willing to predict whether consumer sales will hold up next year, partly because of the possibility of unemployment as production of capital goods for export declines.

• **Internal Pressure**—The present situation is causing increased pressure for an easing of restrictions on East-West trade. Actually, this year's trade with the Soviet bloc is below 1956 levels. Leading the fight for greater trade with Eastern Europe is Hamburg, Germany's largest port and industrial center. Prewar, 40% of the goods going through its port went to or came from countries now behind the Iron Curtain. Now, the percentage is only 19%. Hamburg says its present trade of about 27-million tons with Eastern Europe would rise by 8-million tons if trade relations with the East opened up. END

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A Touch of Gloom Among Bright

So far this theatrical season, the hits have kept up with last year, but they're far behind two seasons ago. And, while costs are rising, patronage gets shakier.

Glittering, bewildering, unpredictable Broadway is reaching the halfway mark of the theatrical season (June 1 to May 31) with a record of success that barely matches last year and falls markedly short of the two previous seasons. It also has long-range problems that are getting more serious.

The midseason scoreboard shows only four solid hits, the same as last season but below the seven in each of the two previous years. The 24 productions since last June 1 include six musicals, 17 plays, and one special City Center production. Altogether they have accounted for 374 playing weeks to mid-November. Last year, 21 productions ran up 405 weeks.

• **More Take**—This year's New York shows are grossing more than last year—$12,718,000 to $12,640,000—but they haven't quite reached the $12,800,000 of two years ago, despite a general increase of nearly 20% in ticket prices since then.

I. Score at Halftime

As some people see it, this price increase preserves today's profits in the face of rising production costs but digs a pit into which the theater industry could easily fall at the slightest push. Prices are now so high that the younger couples are pretty well shut out, leaving the theaters more than ever reliant on expense-account customers, the older generation, and the mixed blessing of the theater party (BW—Dec.8'56,p110).

If you relax standards a bit, you can count seven hits this season, but only four meet the acid test. These four are two musicals—West Side Story and Jamaica—and two straight plays—Look Back in Anger and Time Remembered. Three others are semi-hits: Compulsion, a heavy drama; Noel Coward's Nude With Violin, a farce; and Romanoff and Juliet, a satire. Then there are a couple of modest successes—The Cave Dwellers and Fair Game—and the rest are short runs and outright flops.

The list, however, doesn't take into account the season's hottest dramatic prospect—Look Homeward Angel—which opened only this week. If this play pans out as a genuine hit, and one other comes through in the last half of the season, the theatrical year as a whole will measure up to last year.

Last season's two late bloomers—the Judy Holliday musical, Bells Are Ringing, and the Cyril Ritchard comedy, Visit to a Small Planet—are still going strong. So are three of last year's solid hits: Li'l Abner, Auntie Mame, and Long Day's Journey Into Night.

• **Monopoly at Top**—Two producers, David Merrick and real estate man Roger L. Stevens, divide the four solid hits between them.

Merrick has the British import, Look Back in Anger, and the Lena Horne musical, Jamaica; Stevens has West Side Story and Time Remembered, the Helen Hayes-Susan Strasberg romantic comedy.

Not surprisingly, Merrick refuses to be downcast about the season. "It's simple, really," he says. "The critics have panned some new shows for poor quality, so we have a sparse season. Four hits aren't enough, but the next four months could well make up for a weak autumn."

Harold Prince, co-producer of West Side Story with Stevens, expresses much the same view: "In spite of a slow start, this will end as a good season—at least average. Critical standards are getting higher, particularly as applied to musicals—and that's the way it should be. A lot of stale ideas are dying, and I think the people behind some of the new shows have learned this the hard way."

In the entire season last year, the industry grossed $37,150,000.

II. Reefs on the Rialto

Whatever the current season turns out to be, Broadway has long-term problems that discourage ebullience:

• Production and operating costs are still going up. They have about tripled in the last 20 years, doubled in the last ten years, risen perhaps 50% in the last five years.

• Theaters can't increase their volume—the hits are at capacity anyhow, and the others can't undo the critical opinion that keeps seats empty. So they have to raise prices. This cuts out some customers.

• While they're selling performances in advance to theater parties, producers are also further alienating the man on the street, narrowing their base of public support.

On top of everything else, there's a shortage of theaters, and little chance that new ones will be built. The only project now planned is the $1-million renovation of a former movie house by Roger Stevens. Seating capacity in present houses is strictly limited.

Nor can producers gain more sales volume by more performances—eight a week is the understood limit for actors.

• **Inflation in Tickets**—Since 1939, top prices for tickets have gone up nearly 75% for straight plays, more than 80% for musicals. The increases have come steadily, season after season. But many showmen fear that further increases could spell disaster.

For weekday performances of most plays, $5.75 is the top, with Fridays and Saturdays jumping to $6.90. But Time Remembered has a new gimmick—a $9.90 top for the first nine rows. Musicals sell at a top of $8.05, including weekends.

This scale—along with other increasing costs such as dinners, baby-sitters, and transportation—cuts out many of the young couples who used to be theatergoers. Most of the older patrons seem to attend the theater either on expense accounts or as only an occasional treat, managers say. They miss the solid corps of New Yorkers and suburbanites who formerly came regularly to the gamut of Broadway shows.

• **Shaky Foundation**—Producers shudder at what an Internal Revenue Service crackdown (BW—Nov.16'57,p169) might do to their expense-account trade. There's some talk, for example, that IRS might disallow the "scalper" fee for show tickets, permitting only the box office price to be counted as a business deduction.

This interpretation would discourage the kind of company that pays, for example, $75 for a pair of seats to My Fair Lady to entertain a client on a few hours' notice. It would cut deep into the theatergoing that's now being done on the company tab.

The theater party is another shaky prop for the show world. It involves advance sale of the house for certain dates, with the tickets to be resold, usually for the benefit of charity. Producers like the idea of selling tickets to insure a fairly good run, but they are conscious, too, that it makes enemies of the people who buy by mail and at the box office.

About 40 sold-out dates were booked for Time Remembered, and this could even be doubled for a musical that looks like a top hit.

Lights

"These parties tend to kill off too many of our oldline customers," says a leading producer.

• **Cost of a Gamble**—Producers can't afford to be too starchy about anything that will underwrite the early weeks of their shows. It takes around $100,000 or $150,000 at today's costs to bring a play to the boards, and twice that for a lavish musical. Jamaica, for example, cost $275,000.

At the same time, the risk is greater than ever. Reception of a show tends to be more extreme—hit or flop—with fewer productions merely hanging on to pay back their investors. If they're hits, especially musicals, they tend to run longer than a few years ago. Li'l Abner, for instance, has just finished a full year, despite mixed reviews.

Shows also fold a lot quicker if notices are really poor. They get no second chance to catch on. So far this season, for example, Broadway has had seven quick flops.

• **Plenty of Risk Capital**—With all these problems, producers might be expected to have trouble financing new shows. But this doesn't seem to be the case—at least for producers who are solidly established. The lure of the footlights still brings in a steady flow of risk capital, even though the days of such big returns as 34-to-1 on Life With Father are apparently gone forever.

One new development that may turn into something big is the national sale of stock in a new theatrical investment company, called Theatrical Investment Plan, Inc. The company is authorized by the Securities & Exchange Commission to sell stock in California, Connecticut, Delaware, Massachusetts, Nevada, New Jersey, New York, Pennsylvania, Virginia, and the District of Columbia.

Initially, TIP proposes to raise $780,000 by selling 78,000 shares at $10, plus more than $100,000 raised privately by the organizers—people who have a good reputation on Broadway. The corporation already has a stake in a current hit, Jamaica, and in three strong comers, including Look Homeward, Angel.

III. Current Lineup

Four leading producers are missing from the Broadway scene this season: Max Gordon, Jed Harris, Rodgers & Hammerstein, and Feuer & Martin. But three new producers are on the list: Hamilton & Russell, Londoners who are doing Noel Coward's new show;





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BALTIMORE & OHIO RAILROAD

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Wells & Blum, who brought in the revival of The Country Wife last week with Julie Harris as star; Herbert Greene, who will work with Kermit Bloomgarden on the upcoming Music Man.

Among writers, too, a surprising number of top names are missing: Moss Hart, Lillian Hellman, George S. Kaufman, Sidney Kingsley, Clifford Odets, Elmer Rice, Tennessee Williams. To fill the gap are three new writers, and three others back after a long absence.

The new ones are Ketti Frings, who came from Hollywood to adapt Look Homeward, Angel; John Osborne of London, with Look Back in Anger; and Morton Wishengrad, a radio-TV writer, with the Art Carney-Siobhan McKenna drama, The Rope Dancers. The returnees are William Saroyan, with The Cave Dwellers; Noel Coward as star of his own Nude With Violin, and Walter and Jean Kerr, who have done the book for Goldilocks, a musical scheduled for a late-season opening on Broadway.

Here's a lineup of Broadway's current offerings (top prices listed):

Musicals

Bells Are Ringing, Shubert (225 W. 44), $8.05; Judy Holliday has fun with her phone-answering service.

Jamaica, Imperial (249 W. 45), $8.35; Lena Horne, Ricardo Montalban in a tropical musical.

Li'l Abner, St. James (246 W. 44), $8.05; the Al Capp comic strip come to life.

My Fair Lady, Mark Hellinger (237 W. 51), $8.05; Rex Harrison and Julie Andrews are both withdrawing.

New Girl in Town, 46th Street Theatre (226 W. 46), $9.20; musical based on the Eugene O'Neill play Anna Christie.

Rumple, Alvin (250 W. 52), $8.05; Gretchen Wyler and Eddie Foy in a song-and-dance fantasy.

West Side Story, Winter Garden (1634 Broadway), $7.50; mostly dancing in this top show—with an off-beat theme for a musical.

Plays

Auntie Mame, Broadhurst (235 W. 44), $6.90; Rosalind Russell will turn the title role over to Greer Garson in January.

The Cave Dwellers, Bijou (209 W. 45), $6.25; William Saroyan's new play, a sentimental fantasy.

Compulsion, Ambassador (215 W. 49), $6.90; stage version of Meyer Levin's best-seller based on the Leopold-Loeb case.

Fair Game, Longacre (220 W. 48), $6.90; Sam Levene in a new gal-chasing comedy.

Long Day's Journey Into Night, Helen Hayes Theatre (210 W. 46), $6.90; Fredric March and Florence Eldridge in Eugene O'Neill's prize-winner.

Look Back in Anger, Lyceum (149 W. 45), $5.75; a top British import.

Look Homeward, Angel, Barrymore (243 W. 47), $6.90; Thomas Wolfe's novel brought to the stage, with Anthony Perkins.

Monique, Golden (252 W. 45), $5.75; murder melodrama.

Nature's Way, Coronet (230 W. 49), $5.75; farce by Herman Wouk.

Nude With Violin, Belasco (111 W. 44), $6.90; a new Noel Coward showcase for Noel Coward.

Romanoff and Juliet, Plymouth (236 W. 45), $6.25; Peter Ustinov stars in his own satire on U.S.-Soviet diplomacy.

The Rope Dancers, Cort (138 W. 48), $6.90; TV's Art Carney in a straight drama, with Siobhan McKenna and Joan Blondell.

The Country Wife, Adelphi (152 W. 54), $5.75; comedy revival, starring Julie Harris and Pamela Brown.

The Square Root of Wonderful, National (208 W. 41), $6.25; Anne Baxter in a love story by Carson McCullers.

Tunnel of Love, Royale (242 W. 45), $5.75; comedy with Tom Ewell.

Time Remembered, Morosco (217 W. 45), $9.90 for first nine rows, then $6.90; Helen Hayes and Susan Strasberg in a fairy-like story about a prince's romance.

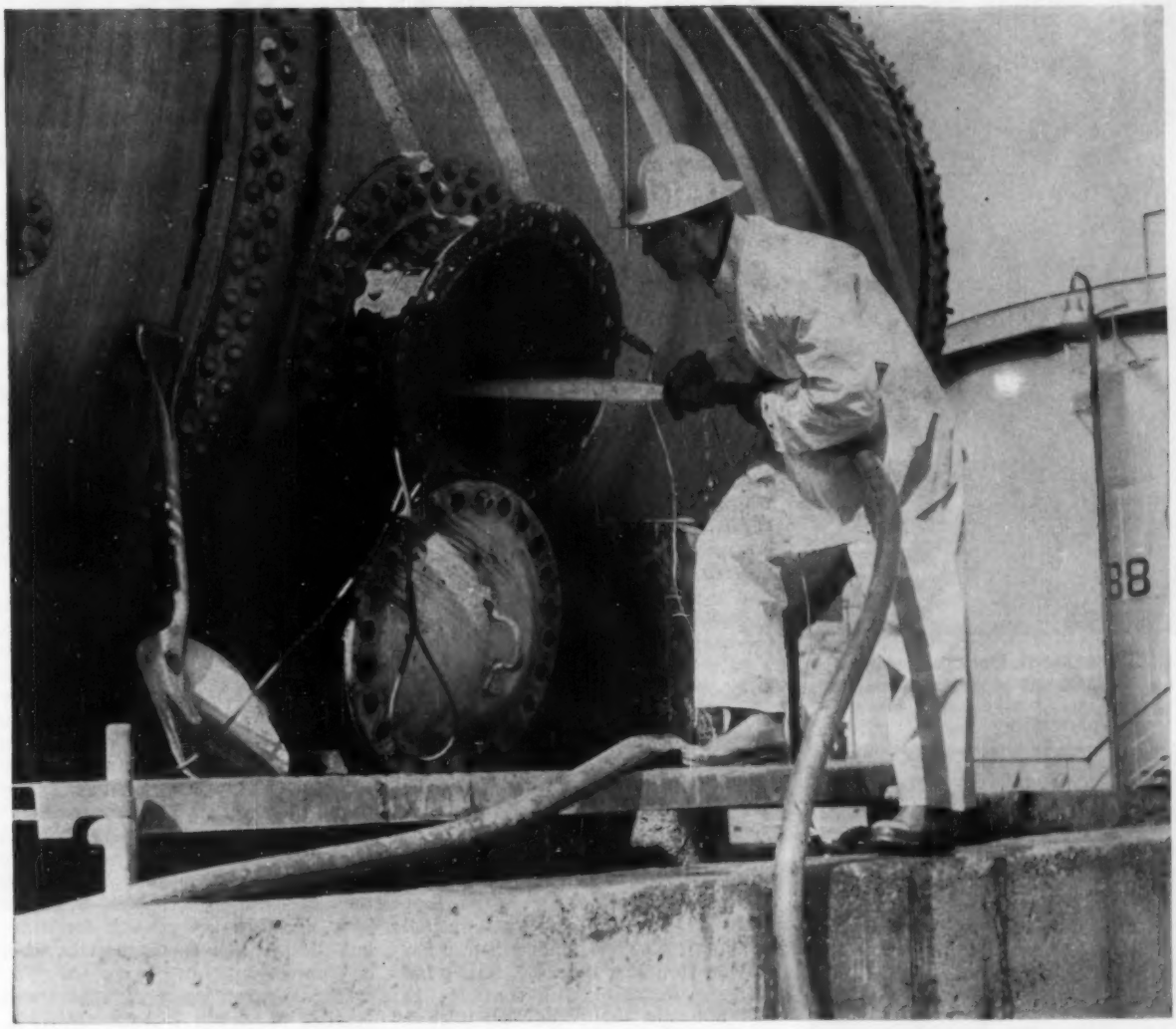
Visit to a Small Planet, Booth (222 W. 45), $6.90; Cyril Ritchard is still the visitor from outer space.

• **A Look Ahead**—Here are some of the promising shows opening this winter:

The Musicals: **Music Man,** starring Robert Preston, songs by Meredith Wilson (Majestic, 245 W. 44), Dec. 19; **Captain's Paradise,** featuring Xavier Cugat and Abbe Lane, based on the Alec Guinness movie (Alvin, 250 W. 52), Jan. 28; **Say, Darling,** from the novel by Richard Bissell (opens in March); **Goldilocks,** a spoof about Hollywood in the 1920s (Globe, 1555 Broadway, Mar. 6).

The plays: **Dark at the Top of the Stairs,** starring Teresa Wright, a drama by William Inge (Music Box, 239 W. 45, Dec. 5); **Shadow of My Enemy,** with Ed Begley and Gene Raymond, about the Hiss-Chambers case (ANTA, 245 W. 52, Dec. 11); **Miss Isobel,** a new play starring Shirley Booth (Royale, 242 W. 45, Dec. 26); **Much Ado About Nothing,** with Katherine Hepburn and Alfred Drake in a Southwest U.S. locale (Globe, 1555 Broadway, Jan. 10); **Two for the Seesaw,** with Henry Fonda, a two-character play (Booth, 222 W. 45, Jan. 15); **Blue Denim,** with Chester Morris (opens in February); **The Entertainer,** a show business story, starring Laurence Olivier (opens in February). **END**

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THE REASON: AEC is limiting construction of new mills, like this one in Wyoming.

With Nowhere to Go Uranium Sits It Out

With an AEC lid on new mills to process their ore, miners are no longer prospecting. Their hopes for the future lie in atom power.

The uranium prospector toting a Geiger counter doggedly across the Western deserts may already be another vanishing American.

In effect, the Atomic Energy Commission has told the uranium industry it can expand only so far and no farther in the next few years, until demand from private industry creates some new markets. The limiting factor is the capacity of uranium processing mills, which convert the ore to uranium concentrate, or U-308. These mills, all but one privately owned, are virtually the only place where a miner can sell his ore, and so far the government is the only buyer for the U-308 the mills produce.

Now the government has put a lid on U-308 production—at about the level of existing or contemplated commitments for added mill capacity. That also means a lid on uranium prospecting, because there would be little sense in finding more ore if there's no market—and not even a mill to process it.

• **Still Some Hope**—The new policy was set forth in late October by Jesse C. Johnson, director of AEC's Raw Materials Div., at the Atomic Industrial Forum in New York. Since then, it has become clear that the AEC wasn't imposing a freeze on mill contracts, at least not right away. Only last week it gave Lakeview Mining Co. a contract for a $2.6-million mill with capacity to process 210 tons of ore a day, to be built near Lakeview, Ore. And it seems likely that a mill near Riverton, Wyo., will also be authorized soon. A number of other applications are pending; the thinking is that some of these will be granted but that future applicants will meet a frosty reception.

Currently, there are 14 mills operating and 10 more authorized, with a total investment of more than $134-million. The investment in mining operations, of course, is much heftier. In fiscal 1957, AEC dished out $164-million to buy U-308 from domestic producers, and it expects to be spending more than $250-million a year soon.

• **Impact**—An AEC official says the policy shift is part of readying the government-sheltered industry to step out on its own—a goal that should be attained by 1966. In the meantime, most mines now producing have a market for their ore, although perhaps not in the quantities they might like. But the AEC move still has had its effects:

• Perhaps 100 uranium miners and small companies are caught with no apparent buyer for the ore they dig.

• Exploration has all but ceased, except by companies that want to expand ore reserves adjacent to their present findings. Many drill rigs are idle.

• The industry is launching a drive to find new world markets for its product. This is now prohibited by the government.

• Pressure is building up to enlist the aid of Congress in securing approval for more mills, at least to save companies that have already invested heavily in mining from suffering losses for lack of processing facilities.

• **Critical Area**—This last problem is particularly acute in central Wyoming, where a garage owner's uranium discovery in 1953 in the Gas Hills area has led to finding of vast new deposits. Tremendous open-pit mining operations yawn widely on the wind-swept hills, and some 20-million tons of uranium ore reserves have been blocked out. But to date the area's milling capacity only comes to 1,150 tons a day—and 750 tons of that is still under construction. The AEC has applications to build 5,000 tons of additional capacity—1,800 of it in expansion of existing facilities—but the question is whether they will be granted.

There are other mill applications pending in South Dakota, Colorado, and Nevada, among others. Probably the most vigorous mill expansion at the moment, though, is in the invitingly named area of Ambrosia Lake in New Mexico. Anaconda Co. owns a 3,000-ton mill at Grants, N. M., to process ores from its Jackpile mine, biggest in the nation. And Kerr-McGee Oil Industries runs a mill at Shiprock, N. M. In addition, these facilities are under construction:

• A $16-million, 3,300-ton mill for Kermac Nuclear Corp., a combine including Kerr-McGee. This will be the nation's largest uranium mill.

• A 1,500-ton mill for Homestake-Sapin Partners (Homestake Gold Mining Co. and the Sabre-Pinon Cos.).

• A 750-ton mill for Homestake and other partners, including Floyd Odlum's Rio de Oro Uranium Co.

• A 1,725-ton mill for Phillips Petroleum Co.

The New Mexico uranium fields are developing quite differently from central Wyoming's. In Wyoming, most of the operators are small-scale, and they have put almost everything into getting production. In New Mexico, the developers are mostly big companies and, although all but Anaconda have been slow to produce ore, they have already accomplished the expensive chores of outlining ore bodies and arranging milling capacity.

• **Applicants**—Most of the companies beseeching the AEC for new mill contracts are already in the business of digging ore. This integration is general in the industry. However, mill contracts require the owner of a processing plant to do more than just treat its own ores. It must reserve from 10% to 35% of mill capacity for "outside" ores—and, in practice, mills today devote 50% of their capacity to ore from independent producers.

But the mills can contract with mines to buy ores as they wish, except that they cannot pay less than the minimum price set by AEC. Frequently they must pay more to assure themselves an ore supply.

At the moment, all completed mills are running at capacity; what's more, most of them have contracts extending over several years to purchase outside ore. This is why the miners on the fringe of the industry are disturbed about the AEC lid on new mills.

It's possible, however, that AEC will adjust milling capacity by areas. Utah and Colorado still are the major producing states. But Colorado's mill capacity will be able to dispose of the state's present reserves (estimated at 5-million tons) in three or four years. On the other hand, New Mexico's reserves are estimated at 50-million tons, and it would take many years for present facilities to process that much ore. So, for instance, as Colorado peters out, AEC might grant New Mexico additional new capacity.

• **Unexpected Riches**—As it is, prospectors have already turned up far more uranium in the U.S. than many thought possible at first. In 1948, the government was aware of less than 1-million tons. Then an all-out effort was launched to encourage prospecting, with guaranteed minimum prices, trucking allowances, bonuses for new finds, and the like. Now the industry knows that about 75-million tons of uranium ore lurk beneath the U.S. earth. This was frankly a surprise to AEC.

At present, the U.S. is the world's largest uranium producer. However, Canada will equal it in a year or so. Probably the biggest uranium reserves on the globe are in South Africa, although the ore is lower grade than that found in the U.S. The average ton of domestic ore contains roughly 5 lb. of uranium oxide. Canada averages about 2 lb. per ton and South Africa only about ½ lb. per ton. However, South African uranium costs relatively little to produce, because it's a byproduct of gold mining.

U.S. production of U-308 is running at the rate of approximately 10,000 tons per year. By early 1959, AEC expects it to hit 15,000 tons or more and then level off. By the same time, Canadian output should also be 15,000 tons. South Africa yields about 6,000 tons of U-308 a year. Ore production, of course, is much bigger—by 1959, it is expected to reach 7-million tons a year in the U.S.

• **Buy American**—It's some comfort to the industry that the AEC says it has made no new commitments to buy uranium abroad for several years—although the present foreign purchase program extends through 1966 in most cases. However, some material under firm contract to the U.S. has been released to the United Kingdom.

From Jesse Johnson's October statement to the Atomic Industrial Forum, it would appear that the AEC's philosophy is to check expansion of the uranium industry now rather than face the possibility of a major curtailment later. Still, his remarks were not altogether discouraging. A lot hinges on the development of atomic power. "If we are to achieve the atomic power development anticipated in the next 10 to 20 years," said Johnson, "uranium exploration and development should continue on a broad scale."

• **Producer Reaction**—Many uranium producers even exude optimism. They believe AEC's present purchasing policy—which runs to 1966—will keep them afloat until private power demands bring new customers.

For instance, Ralph W. Neyman, president of the Federal Uranium Corp. (which has applied for a mill in the Gas Hills area of Wyoming) and Radorock Resources, Inc., thinks there will be a transition period as AEC buying levels off but that "combined military and peacetime uses will have us out looking for all the uranium ore we can find before many years."

Says another Gas Hills producer: "Now, for the first time, the uranium industry knows about how much the government will buy for the next few years. We've got a better idea where we are than almost any time in the past."

Gordon Weller, executive vice-president of the Uranium Institute of America, sums up this sanguine segment of opinion. "We've got a big and profitable industry, with government cooperation promised during a nine-year transitional period," he says. "I'm darned optimistic." END

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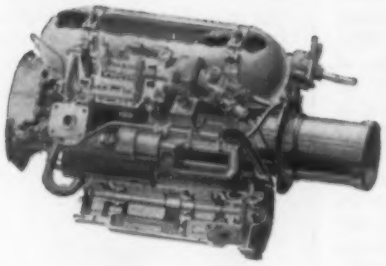
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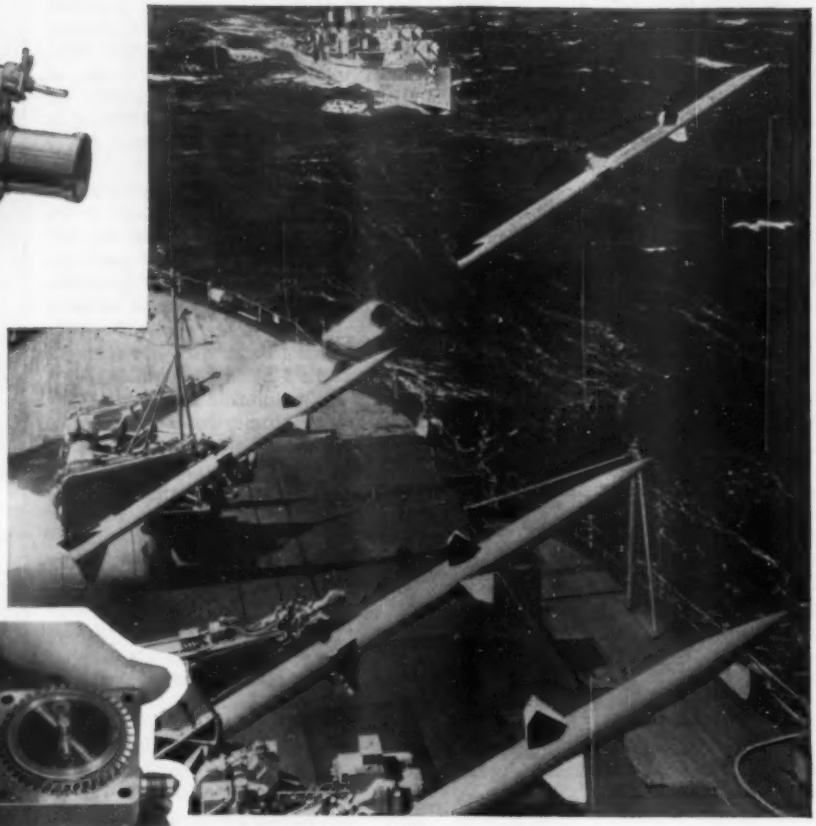
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INTERNATIONAL OUTLOOK

BUSINESS WEEK
NOV. 30, 1957



NATO faced staggering and urgent problems (page 34) even before Pres. Eisenhower's attack. Now, there is bound to be some delay in tackling the problems. That will be true even if the NATO "summit" meeting is held Dec. 15 on schedule, as at mid-week Washington expected it would be.

Without Eisenhower, the meeting won't have the popular impact planned for it. Also, it will miss Eisenhower's gift for conciliating leadership—a quality the Atlantic Community badly needs right now. And it is difficult to see how any substitute for Eisenhower will have quite enough power at Paris to make independent decisions for the U. S.

Even so, London and Bonn felt the meeting should be held, if only to keep Paris from tearing NATO apart over differences with the U. S. and Britain on North Africa.

The search for a new Western unity will go on, simply because there is no alternative. And that will still require:

- **Acceptance both here and in Western Europe of the Eisenhower-Macmillan doctrine of interdependence,** which means further integration of NATO military forces and NATO military production.
- **Revival of European confidence in U. S. leadership**—in our capacity both to overtake the Soviet missile lead and to keep our economy on an even keel.
- **An understanding with Paris** that French policy in North Africa will pay due respect to the needs of the whole Atlantic alliance.

It seems clear that Communist pressure on Western Europe will be stronger than at any time since 1947-48. A new bid will be made for the allegiance of the workers, especially in France and Italy. That much can be gathered from the resolution just put out by the Communist bloc countries.

True, some big changes have occurred in the past 10 years. The workers of Italy and France have something to defend this time—and they are not in a revolutionary mood. But Communist Party Boss Khrushchev seems to be counting on two things to help him—the disruptive effect of the Algerian war on the French economy and the possibility that the slump in world trade will hit employment in northern Italy's export industries.

—•—

U. S. exports are sliding off. In the third quarter our sales abroad ran at a seasonally adjusted annual rate of $19.4-billion. That compares with $19.8-billion in the second quarter, and $20.1-billion in the first.

By year's end, U. S. exports may be running at an annual rate of about $18-billion. Tight money in Britain, import curbs in Japan, the business decline in Canada, the snowballing payments crisis in France, payments difficulties in many primary producing countries—all are reinforcing the downward trend. Note, too, that the full impact of this year's softening of commodity prices still hasn't showed up in the trade figures.

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Nearly 2-million deadweight tons of oil tankers are now laid up in various Western ports. Most of these have been pulled out of service in the past three months because of the slump in freight rates.

The treaty establishing the European Economic Community (Common Market) has had a going over from GATT (General Agreement on Tariffs and Trade).

The Geneva discussions have revealed a sharp clash of interest between the six Common Market countries and the rest of the free world. From all sides—Canada, Latin America, Africa, Britain, Scandinavia, India, the U. S.—strong protests have been made against one of the basic principles of the Common Market. That is its claim to enjoy complete freedom in raising tariffs and other barriers against imports—without any consultation with the countries from outside the bloc that may be hurt.

What the outsiders fear is the abuse of this freedom, which admittedly is vital to the formation of a regional customs union. Very serious damage could be done to established channels of trade like the export to Europe of Canadian wheat, Brazilian coffee, West African cocoa. But so far the six members of the Common Market have refused to accept the idea of regular consultation with the outside world.

—•—

This week a high-powered Canadian business mission (BW—Nov.23'57, p134) is touring British industrial centers. And mission-leader Gordon Churchill, who is Canadian Minister of Commerce, still stoutly maintains that his aim is to expand Canadian imports from Britain.

But the word has got around in Britain that Churchill, while he was in Washington this fall, was equally firm in maintaining that Ottawa had no intention of diverting trade away from the U. S. to Britain. So the British, apart from a few empire-minded extremists, are giving their Canadian visitors a lukewarm reception.

—•—

Argentina finally has signed an agreement consolidating its $500-million worth of commercial debt with its chief European trading partners. The pact—called "The Paris Club" and modeled after Brazil's "Hague Club" agreement with Western Europe (BW—Aug.20'55,p138)—sets up a multilateral payments union.

It took two years of dickering to get the plan set. First, the Argentines had to agree to meet claims brought on by Peron's high-handed tactics against foreign-owned properties. Germany got the return of its trademarks grabbed during the war, Britain got a settlement of its claims for confiscation of a gas company, and France got assurances of indemnification for the stockholders of a brewery.

Buenos Aires observers believe the agreement is a milestone in the post-Peron recovery, that it will unblock Argentina's virtually paralyzed foreign trade.

—•—

Uruguay, sometimes called Latin America's model democracy, is facing the severest crisis of its recent history.

Trade unions are threatening strikes against railways, buses, port facilities, and metalworking industries. At the same time, growers are withholding wool from export—Uruguay's chief foreign exchange earner. And cattlemen are smuggling beef to neighboring Brazil for higher prices. Retail merchants have threatened to close their doors rather than pay a government tax on inventories.

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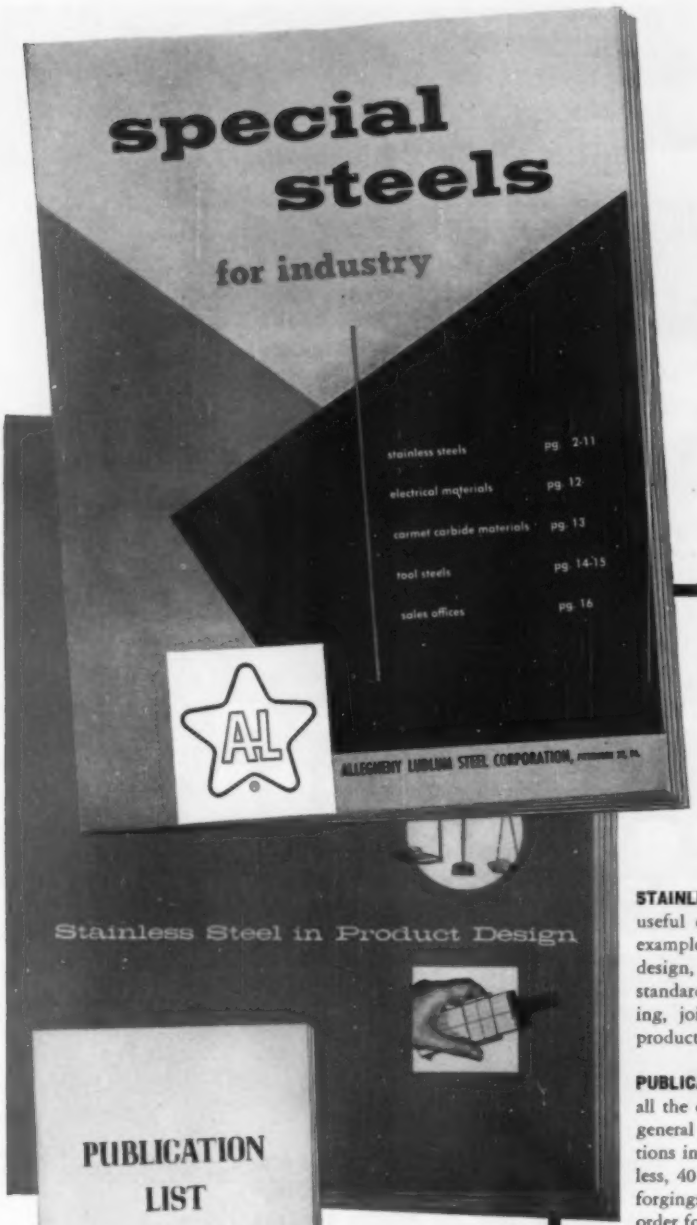
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Labor Unity Comes Up to a Test

● **Next week the AFL-CIO assembles for its first convention since the merged body was formed.**

● **Now two years old, AFL-CIO is threatened both internally and from the outside, and delegates at Atlantic City must cope with the crisis.**

● **Some of the problems: racket scandals, pressure for restrictive laws, and a less bustling economy.**

Will the merged labor movement of 1955 become the divided, troubled labor movement of 1958?

Can AFL-CIO strength and unity survive corruption scandals involving some of its key unions, a drive for restrictive federal and state labor laws, less favorable economic conditions, and importantly, internal discontent?

These are some of the questions to be faced next week when AFL-CIO's 139 affiliated unions, with a claimed 16.9-million members, open one of the most important labor conventions of our time.

• **Troubled Views**—Those assembling for the federation's first biennial convention since the merger in December, 1955, are frankly troubled.

George Lynch, head of the Pattern Makers, and a number of other spokesmen for small federation affiliates fear that a new labor "civil war" may begin during the 10 days of sessions that open Thursday in Atlantic City.

Others see no reason for pessimism. Jacob S. Potofsky, president of the Amalgamated Clothing Workers, expressed the prevalent viewpoint last week. He admitted that "family quarrels may occur—and any family quarrel is unhealthy," but commented that the quarrels in AFL-CIO now will have no lasting effect on the labor movement as a whole.

But, whether it's Lynch or Potofsky, the long-term opinion seems to be that a new, more centralized AFL-CIO is in the making—and that its future will probably require the sacrifice of further substantial rights by affiliated unions.

• **Strong, But . . .**—In advance of the convention, AFL-CIO is stronger, more closely-knit than most thought possible at the time of its unification two years ago. The many problems of drawing together two largely dissimilar and jealous organizations have been kept to a minimum by a tough, determined top leadership.

Up to now, there have been no important power rivalries, either between individuals or blocs. Walter Reuther and others from the old CIO have given their full support to George Meany, AFL's former president and now head of AFL-CIO. This has been a saving prop for the merger.

Because of it, Meany has been able to guide the federation's policymaking executive council to a degree of authority over affiliated unions hardly foreseen—or sought—by the merger architects of 1955. This has inevitably meant encroachments on the wide "autonomy" claimed by AFL-CIO member unions under the federation's constitution. But the toughness and centralized control have been recognized as more a matter of necessity—a defense against internal rot—than of desire. They have been accepted, reluctantly, and with reservations.

In general, the federation's small unions and crafts group recognize that AFL-CIO leaders need all the muscle they can muster to fight the damaging effects of massive public disclosures of labor racketeering. They may have reservations about the merger, but they will still back the federation in its uphill fight. However, many of the federation's unions are ready to draw a line at what must be done for honesty, morality, and ethics. They are apprehensive about other rights that might be threatened by what they term a developing "free-wheeling arbitrary and capricious power."

• . . . **Vulnerable**—While it is strong internally, AFL-CIO has lost public prestige and support. It has become vulnerable to outside criticism and attack because of a year of corruption revelations.

Now, because of what it must do to enforce ethical standards, it faces a further loss—of power and unity.

The loss of power is almost a certainty. The federation will expel the Teamsters and the Bakery & Confectionery Workers next week. This will mean a loss of 10% of the AFL-CIO's massed membership, and 10% of its income. Even a prospective increase in the per capita on the membership of affiliated unions won't give the federation all that it needs, financially. And, in many ways, the numerical loss of membership will hurt, too.

If this latter loss is followed by a weakening of the internal unity of AFL-CIO, the federation's vulnerability will be greatly increased.

• **Meany's Role**—One man, Meany, a 63-year-old ex-plumber, is the AFL-CIO's big hope for averting any spread of its present troubles. He has grown in stature and in forcefulness over the past two years.

He has been able to win the sometimes grudging support of the ruling executive council for a program forging into brand-new territory for a central labor body. In doing this, he has alienated some of the important crafts group from which he came into labor leadership, but he has won allies in the industrial unions.

Over-all, he has gained the respect and, among some, the awe of most of his close associates.

• **Critical Test**—The coming AFL-CIO convention will provide a major test for his program, and for his entrenched position at the head of the federation.

Meany is expected to come through in fine fettle, ready for the fights that are ahead in 1958 on Capitol Hill and in the states, with employers and their national and state associations, and possibly within labor's own ranks.

The Meany program coming up next week is expected to:

• Tighten AFL-CIO's codes of ethics and their enforcement; the Teamsters and Bakery & Confectionery Workers will go, despite last-minute proposals that may suggest alternatives to avert their expulsion.

• Apply the whip to state AFL and CIO bodies lagging in effective moves to merger; rival AFL and CIO groups will be directed to complete mergers immediately—or surrender their charters to AFL-CIO and be replaced.

• Boost per capita taxes by a penny or two a month, over the objections of some affiliated unions, to offset in part the losses from the expulsion of the Teamsters.

• Apply at least $1-million to a sweeping advertising campaign to resell unionism and repair AFL-CIO's public reputation.

• Plan intensified pressures for new social, economic, and political gains for labor—necessary, federation planners believe, to lay the groundwork for further organizing gains.

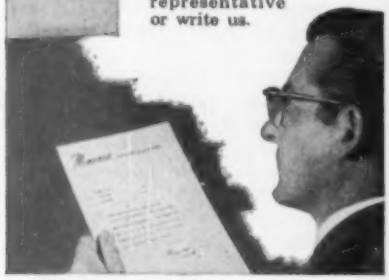
• **Outsiders**—Neither the Teamsters nor the Bakery Workers will be per-



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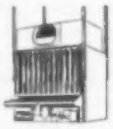
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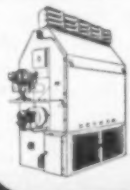
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". . . a Teamsters spokesman will appear before the AFL-CIO convention in the union's defense, but the IBT 'fully anticipates expulsion—and is prepared for it' . . ."

STORY starts on p. 123

mitted to participate in convention affairs. As suspended unions, they are barred from sending delegates to AFL-CIO sessions. However, both will be allowed to argue from the platform in their own defense.

Last weekend, the Teamsters announced that a spokesman will appear before the convention. But Dave Beck, still occupying the Teamsters' presidency pending the courts' action on James R. Hoffa, president-designate, said the union "fully anticipates expulsion—and is prepared for it." Beck said he has "100% assurances" the IBT won't be split by the ouster from AFL-CIO.

The Bakery Workers, on the other hand, is already split down the middle on the suspension issue, and a large bloc of its locals will probably ask to stay in AFL-CIO.

• **Under Suspicion**—Other unions involved in the federation's cleanup drive will be seated at the convention, but face continued surveillance. The 90,000-member United Textile Workers recently agreed to a Meany-appointed overseer after its top officers quit under fire. The overseer, Peter McGavin, is also the AFL-CIO agent in charge of efforts to assure the 25,000-member Distillery Workers a new chance in the federation through an election this week.

Thirteen top officers of the union bowed to AFL-CIO orders and resigned at a special convention in Washington, called, McGavin told delegates, to "eliminate corrupt influences" within the union. The resignations did not bar the former officers from seeking "vindicating" reelection.

Several other unions are pressing their own cleanup programs under orders from AFL-CIO. The Jewelry Workers is the latest to feel the sting of federation directives; it is under fire for allowing the "exploitation" of Puerto Rican workers in New York City (BW—Jun.29'57,p149).

• **Lagging States**—AFL-CIO troubles aren't confined to the international unions. At the time of the merger two years ago, AFL and CIO state labor organizations were given two years to team up—with the coming convention the deadline. So far 33 state groups have merged, but unity has yet to come in an important industrial state.

Among those who still haven't worked out an alliance are the AFL and CIO bodies in New York, New Jersey, Ohio, Pennsylvania, California, Michigan, and Illinois. As a result, they'll be unable to take part in convention proceedings. Their organizations will be disbanded, and Meany will send in agents to force the mergers in the months ahead.

Reasons for the delay, primarily, have been the quarrels over whether the AFL or CIO officials get the top jobs in a single labor unit. Up to now, Teamsters' officers prominent in the AFL state groups have fought to prevent merger; now, CIO officers who expect the truck union's expulsion are holding back on the theory that their bargaining position will be enhanced when that happens.

These state organizations—important for state lobbying on legislation, state and federal political works, community activities, and the like—are basic to AFL-CIO strength. The fact that they haven't merged is damaging to the federation's programs and a real indication that it's hardly a single body after two years.

• **Progress at GHQ**—At AFL-CIO headquarters, in the nation's capital, the fusion is more complete. After two years, much of the distrust between the more stolid, conservative AFL staffmen and the brasher CIO employees has faded in daily contact.

While Meany firmly runs the AFL-CIO, the influences on him from other union presidents are about equally divided among AFL and CIO unions. The biggest single influence is still ex-CIO-Pres. Walter Reuther, who serves as vice-president and head of the Industrial Union Dept. in addition to his principal job as United Auto Workers president.

Meany and Reuther are personality opposites. Reuther, 50, is still hardly "one of the boys." He has never joined Meany in a gin rummy game or on the golf course. Still, their goals in union matters, particularly on racketeering, have been mostly indentical.

When it comes to foreign affairs, it's a different matter. They've had caustic debates during AFL-CIO executive council meetings on the subject of international labor groups and foreign policy generally. This dispute shows no signs of simmering down.

While Reuther is No. 2 man, he doesn't rank that high in the line of succession to the top office. Meany is still somewhat suspicious of Reuther's ambitions, and, anyway, one troublesome issue in the federation—industrial versus craft unionism—would probably

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keep him from being Meany's successor at this point.

• **Internecine Fight**—As head of the Industrial Union Dept., Reuther opposes the powerful building trades group in a running fight over rights to construction jobs in industrial plants.

The jurisdiction issue is one of the AFL-CIO's big failures in its first two years. At the time of the merger, near the top of the agenda was settlement of the long-standing industrial craft war, which is hottest between the Building Trades and Industrial Union Depts. Today, they are just as far away from settlement, and the building trades are even talking of secession.

Essentially, the dispute is over maintenance and repair construction work in factories organized by unions such as the auto and steel workers. Outside contractors have traditionally assigned new construction work. The Reuther forces want to arbitrate any rival job claims; the building trades decline.

So far, this has been debated within the confines of the AFL-CIO. But recently a new issue was injected with the investigation by the McClellan rackets committee of one of the most powerful unions in the building trades—the Carpenters. If the Carpenters are black-marked by the committee and then run into trouble with the AFL-CIO, this could blow the whistle on an all-out jurisdictional war; it might be the start of a mass exit by the crafts (BW—Mar.23'57,p147).

• **Organizing Lags**—The cry of "organize the unorganized" was the merger cheer of 1955. But, organizing has gone absolutely nowhere in two years. Officially, it hasn't even got under way—despite a staff of 275 organizers—because rival AFL and CIO unions in the same fields haven't been able to work out jurisdictional agreements.

The civil rights troubles in the South came as a blow to AFL-CIO hopes a year ago; this year, racket hearings added to federation expansion problems.

• **Political Plans**—AFL-CIO's full political strength hasn't been put to a real test yet. It will be in 1958 Congressional elections. From now on, the federation plans to step up activities in the political area—with hopes of stemming a legislative and political tide against unions. But, without more internal solidarity, the hopes are admittedly thin ones.

Auto Workers Ask Severance Pay

Union wants a lump sum for members who lose their jobs when and if Ford closes Chicago aircraft engine plant.

A proposal by the United Auto Workers to make a supplemental unemployment benefits fund serve as a pool for severance pay is under study by Ford Motor Co. The outcome may furnish a precedent for a much broader thesis than that involved in UAW's present request.

Under the terms of the SUB plan signed in June, 1955, Ford established a separate fund for its defense workers. Today, in effect, the defense fund covers only the 5,900 workers at its Chicago aircraft engine plant. This plant will begin to phase out its work next year and, unless its gets new contracts, it will close in early 1959.

Because employment will be reduced bit by bit over a period of time, the high-seniority workers at the plant fear that by the time the final shut down comes the SUB fund will be exhausted, or reduced to a point where they will benefit very little. Accordingly, UAW now has asked Ford to convert the plan from a supplementary unemployment benefits fund, which would be paid out on a weekly basis when workers are laid off, to a severance fund that would be split up on a lump-sum, pro-rata basis as workers are terminated.

• **Precedent**—There is a precedent, UAW says: An International Harvester plant at Richmond, Ind., was closed down last spring and the SUB fund was converted into a severance fund based on a worker's credits and seniority. The weakness in using that case as a precedent, Ford feels, is that SUB payments are banned in Indiana, anyway, so the severance plan was a good way to dispose of the fund. Ford now is making a study of the Chicago situation to determine how much a worker would get under routine SUB payments, and how much if the fund were to be used for termination payments.

Both union and Ford people feel that the Chicago case is an individual one, and the company's answer to UAW's request will be based strictly on what Ford feels is an equitable solution at Chicago alone. However, it is perfectly true that UAW is seeking to broaden and adapt the SUB plan to a variety of situations that can arise. If Ford agrees to the severance pay proposal, it might constitute a precedent for union demands in situations where a company closes down a plant to perform the work elsewhere. Also, if Ford grants this concession, UAW may go after a similar alternative to SUB in all contracts coming up for negotiation next spring—when the union plans to ask for amendments to SUB plans.

Teamsters Cocky

If AFL-CIO expels them, as they expect, they plan to go it alone and step up their organizing nationally.

Some positive indications of the course the International Brotherhood of Teamsters will follow in coming months have come from a "staff meeting" held by Dave Beck in Seattle last weekend. They leave no doubt that the union is confident of its strength and unity and fully intends to be militantly aggressive—not defensive—in its future outside AFL-CIO (page 123).

Forty top Teamsters officials met behind closed doors for a two-day skull session on strategy. Beck presided. James R. Hoffa, president-designate of IBT, on trial in New York for illegal wire-tapping, wasn't present.

• **Militant Mood**—After the conference, Beck told reporters that the union "fully anticipates expulsion," and "our reports are 100% that not one local . . . will go with the AFL-CIO."

He announced that the IBT will undertake a multi-million-dollar organizing campaign aimed at nonunion workers in "every single industrial enterprise that is within the Teamsters' jurisdictional field"—but not intended as a threat to AFL-CIO unions. Beck said the drive was planned anyway—whether or not the union stayed in AFL-CIO—but "would not have been on such a grand scale" if it had remained in the federation, because "we wouldn't have had as much money."

• **Behind Scenes**—Beck's answers to questions weren't the real key to what went on in the secrecy of the conference. Behind the closed doors:

• Beck let the Teamsters know in no uncertain terms that he is still the boss—and that he intends to remain so until there is a legal successor. Nobody questioned Beck's authority; one of those present commented that if anyone had, "Dave would have fired him on the spot." Beck's term runs out, formally, Dec. 1. He'll probably continue to hold office for three to six months longer.

• Teamsters units will halt all financial support to state and city central labor bodies and sever formal connections with them.

The savings for the Teamsters on national, state, and local per capita payments will top $1-million a year. This will be added to funds for "a minimum of 200 full-time organizers" whose activities "will demonstrate that our first consideration is for wages, hours, and working conditions." END



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Work in Rain . . .

. . . causes labor row between Toledo garbage collectors and city. It points up the city-union relationship.

The International Brotherhood of Teamsters and the city of Toledo are currently embroiled in one of the country's oddest labor disputes. The issue isn't pay, but who shall decide whether the city's garbage and refuse collectors shall work in the rain—the workers themselves, their union, or the city administration.

The wrangling, which has been going on since early this year, underscores the difficulties frequently encountered when a municipality and a union try to work out their differences.

• **Customary Practice**—For years, it had been the custom of Local 20 of the Teamsters, with the tacit agreement of the city, to allow garbage collection foremen to send their crews home whenever they thought it was raining too hard for them to work. The crews then picked up at the same point on their routes the following day, and worked Saturdays at straight time to make up for the time lost due to rain.

Last February, however, Toledo hired a new city manager, Russell Rink, from Pueblo, Colo. Rink, a professional city manager, quickly began instituting changes in the city government in line with his announced program of bringing more economy and efficiency into city management.

• **New Order**—One rainy day last March, informed that the garbage crews had halted work due to rain, Rink announced that henceforth the crews would work rain or shine. To make sure they did, he ordered $2,867 worth of raingear which, effective May 1, was to be the uniform-of-the-day in inclement weather. Rink's stand, which set off anguished cries from city garbage crews, brought him into direct conflict with Lawrence N. Steinberg, Toledo Teamsters' boss, regarded as a close associate of James R. Hoffa. Steinberg announced that despite the city manager's orders, Teamsters members would continue to work under a 1949 memorandum that permitted refuse foreman to halt work in the rain. The agreement also provided for four hours' pay if the crews were ready to go to work at 7 a.m. but had to wait for rain to let up. At 11 a.m., if it was still raining, they went home.

• **Union Demand**—The Teamsters also demanded a new signed contract with the city nailing down the rainy-day issue. The union pointed out that in the past five years, collection crews drew the

equivalent of only two days' extra pay by working Saturdays to make up for time lost due to rain.

The issue sputtered off and on all spring, with Rink threatening to shake up the entire city refuse collection system if the workers did not assume what he called a "realistic attitude" towards their jobs. During this period, there was no rainy weekday that forced the crews to quit.

• **Mass Firing**—On June 28, however, a hard rain struck the city and 212 refuse collectors and drivers stopped work. Rink promptly fired them all, and suspended another 140 city employees who left jobs in sympathy.

The crews remained off their jobs for two regular work days, during which garbage piled up at 17,000 homes and Teamsters' leader Steinberg threatened to picket City Hall for a "lockout."

• **Negotiations Ordered**—The crews returned to their jobs after the Toledo City Council approved a Teamsters-sponsored resolution calling for settling the dispute. A few days after that, the council pulled the rug from under the adamant city manager by ordering him to negotiate with Steinberg.

This week, Rink modified his stand. He recommended that the city allow a department head or "his designated representative" to order work stopped "during periods of inclement weather which make working conditions hazardous." Previously, he had insisted that only top city officials could halt work, and that decisions to do so should be made only in the face of downpours or blizzards.

If the Teamsters accept this modified position, the city will be asked to work it out in the form of a city ordinance—which would circumvent state regulations that cast doubt on the right of a city to sign a labor contract.

Meanwhile, every time there's bad weather the city holds its collective breath to see if the refuse crews work or quit. Most recent case was Oct. 23. The crews, following the Teamsters' past practice, halted work because of rain.

• **Confusion**—In the absence of the city manager, the city service director suspended the workers, only to have the city manager revoke the suspensions on his return. But, Rink again announced that he would fire any city refuse collector who halted work because of rain without direct authorization by the city administration.

A survey of the six other major Ohio cities on the question showed that three of them—Dayton, Columbus, Cincinnati—require their refuse crews to work rain or shine. Three others—Cleveland, Akron, and Youngstown—let the workers decide when the rain gets too bad to work. **END**



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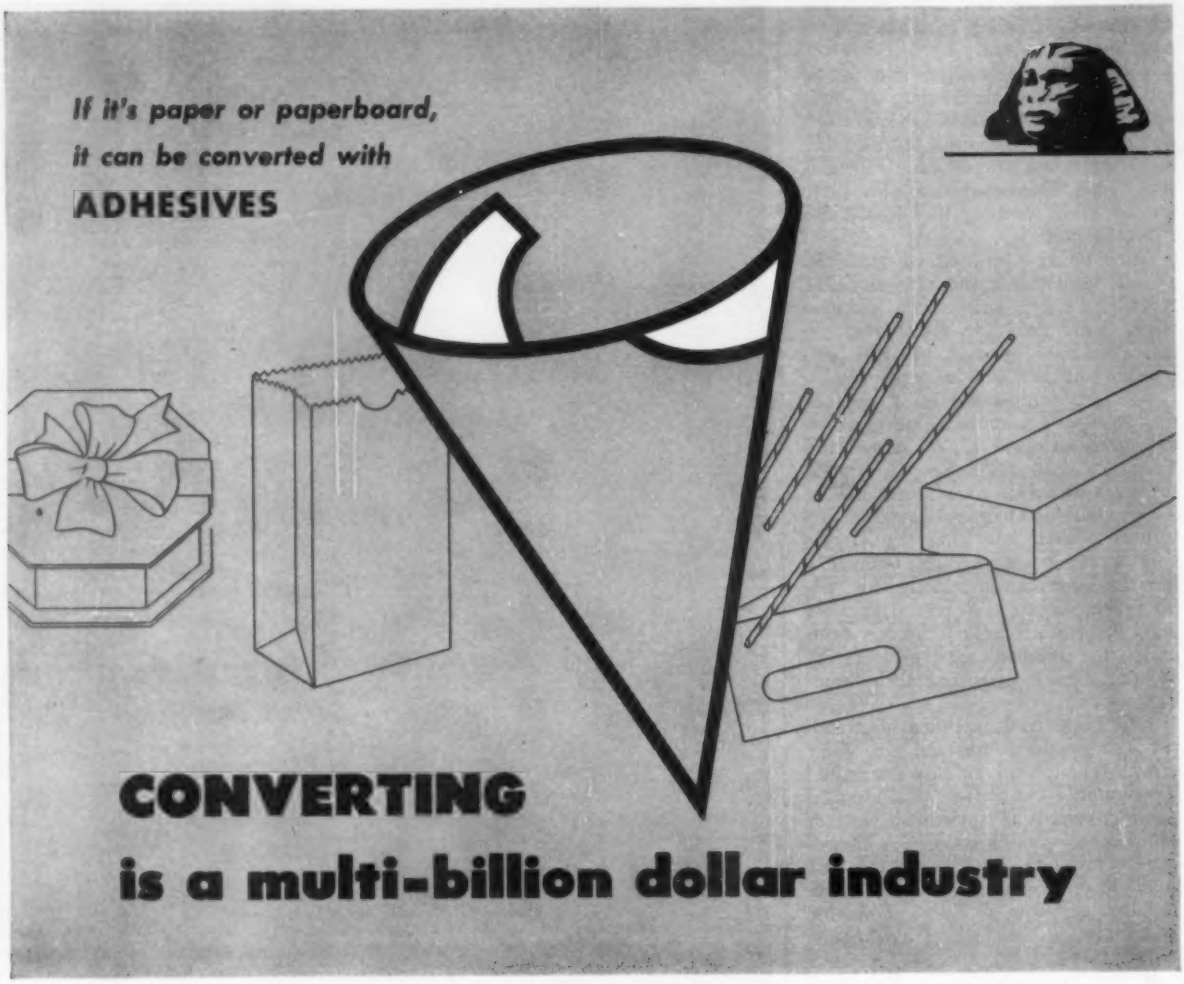
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In Labor

• • •

Cost of Living: What's Happening to It

	Total Cost of Living	Food	Clothing	Housing	
	1947-49 = 100				
				Total	Rent Only
October, 1949	101.5	99.3	97.6	103.5	106.1
October, 1950	105.0	104.3	100.9	108.1	109.6
October, 1951	112.1	113.5	109.2	113.2	114.8
October, 1952	114.2	115.0	105.6	115.2	118.8
October, 1953	115.4	113.6	105.5	118.7	126.8
October, 1954	114.5	111.8	104.6	119.5	129.0
October, 1955	114.9	110.8	104.6	120.8	130.8
October, 1956	117.7	113.1	106.8	122.8	133.4
November	117.8	112.9	107.0	123.0	133.8
December	118.0	112.9	107.0	123.5	134.2
January, 1957	118.2	112.8	106.4	123.8	134.2
February	118.7	113.6	106.1	124.5	134.2
March	118.9	113.2	106.8	124.9	134.4
April	119.3	113.8	106.5	125.2	134.5
May	119.6	114.6	106.5	125.3	134.7
June	120.2	116.2	106.6	125.5	135.0
July	120.8	117.4	106.5	125.5	135.2
August	121.0	117.9	106.6	125.7	135.4
September	121.1	117.0	107.3	126.3	135.7
Oct., 1957	121.1	116.4	107.7	126.6	136.0

Data: Dept. of Labor, Bureau of Labor Statistics. ©BUSINESS WEEK

Price Index Stays Steady At 121.1%

Auto Paychecks Remain the Same

The Labor Dept.'s monthly Consumer Price Index remained steady in mid-October, at 121.1% of 1947-49 average costs. For the first time since August, 1956, the index failed to go up even fractionally.

A decline in food prices from 117.0% to 116.4% was offset by rises in housing and apparel prices.

More than a million auto workers missed getting a penny raise when the c-of-l index did not nudge up to 121.2%, the next adjustment point. However, about 200,000 other industrial workers with different formulas are due a 1¢ raise effective next week. **The auto workers missed out for the first time since March, 1956.**

• • •

High Court Refuses to Hear Pleas

Of Defunct Newspaper, Coal Company

The U.S. Supreme Court this week refused to consider cases involving arbitration of union claims against a defunct newspaper and payments by a coal mine operator into the United Mine Workers' Welfare & Retirement Fund.

In the newspaper case, the high court in effect upheld New York State court rulings that the Brooklyn Eagle, Inc.—no longer an operating newspaper company—must submit to arbitration claims made by the American Newspaper Guild for severance pay, notice of dismissal, and vacation pay. **The newspaper unsuccessfully argued that under the Taft-Hartley Act, only a federal court has authority to compel arbitration.**

The court's action in the UMW trust fund case supports a summary judgment won by the fund's trustees against the Quality Coal Corp. The trustees filed for almost $39,000 they claimed the mining company owed the fund in royalty contributions on coal mined between 1953 and 1955, under the terms of the national bituminous coal wage agreement.

• • •

California Union Welfare Funds

Get Watchdogs to Keep Them Honest

California Gov. Goodwin J. Knight last week named a seven-member watchdog commission to help the state insurance commissioner regulate unions' health and welfare insurance programs.

"Millions of dollars in union members' contributions are involved in these funds," said the Governor in announcing his appointments. **"It is of the utmost importance that they be fully safeguarded and that any temptations they might offer to the dishonest or unscrupulous be effectively eliminated."**

• • •

Flu Gets Part of Blame as Workers

Show Less Buying Power in October

Spendable earnings of factory workers and their buying power dropped in October, the Labor Dept. announced last week.

• A worker with three dependents dropped from $75.63 a week, after taxes, to an average $74.78.

• His buying power—spendable earnings adjusted on the basis of changes in living costs—dipped below September of this year and October, 1956.

The Labor Dept. attributed the decline to a half-hour decline in the factory work week, due, in part, to absences caused by Asiatic flu.

• • •

Man Arrested in Reuther Shooting

Brings Suit Against Police, UAW

The mystery of who shot United Auto Workers Pres. Walter Reuther in 1948 may be on its way to solution by means of a bizarre law suit in Wayne County (Mich.) Circuit Court.

Reuther's right arm was shattered by a shotgun blast fired through a kitchen window. Nearly four years ago, Donald Ritchie, of Windsor, Ont., claimed knowledge of the assault and implicated four others. One, Carl Renda, was arrested. He later was freed and the warrant dismissed when Ritchie escaped protective custody in Detroit and fled to Canada.

Renda filed a $4.5-million false arrest suit against five Detroit police officers, a Michigan state trooper, and the United Auto Workers, some of whose employees cooperated closely with the police in obtaining the statement from Ritchie.

The suit has now gone to trial, and UAW's main defense will be an attempt to prove that the warrant against Renda was properly issued.





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In the Markets

• • •

President's Illness Plunges Wall Street Into Another "Heart Attack" Panic

The President's attack this week proved bitter medicine to the stock market.

When Wall Street heard the news of the "chill" Tuesday morning, it showed no sign of any uneasiness. The stock market has been hard hit on each previous occasion that the President has been sick, but this time **prices actually moved up during the morning on fair volume.**

This rise continued the recovery that began when the Federal Reserve lowered the discount rate (BW—Nov.23'57,p48). Stock prices at noon on Tuesday were the highest they had been since the low registered Oct. 22.

Then the fear that the President's illness might be more serious broke the back of the rally. The downturn began early in the afternoon when Wall Street—like the rest of the nation—was waiting an announcement on the President's condition from the White House. When the statement—expected at 1:30 p.m.—was delayed, rumors started and selling orders began to pile up.

At 2:30, only an hour before the market close, the tape first ran one minute behind on sell orders; then two minutes, then three. Then George Allen, head of the U.S. Information Agency, emerged from the White House with the word that the forthcoming report was not "terribly alarming."

Almost immediately, the selling pressure eased, and the tape cleared. At 3 p.m., the tape was one minute late again, but on the up side.

But when the White House announced that the President had suffered a "mild cerebral occlusion," Wall Street finally panicked.

The last 20 minutes of trading were frantic. The ticker ran one minute late, two minutes, five, seven. Prices slashed all across the board. Blue chips such as du Pont, General Electric, Eastman Kodak, and Consolidated Edison were down. The whole list took a beating.

Some drops were spectacular. Ford Motor Co. dropped $3, closed at $40, a new low. Gulf Oil was down $7 to $110.50. Westinghouse was off $4.85, closing at $58.25.

The magnitude of the last half hour was shown in the fact that over 1.1-million shares were traded. This was the heaviest volume in a single half hour since Eisenhower's heart attack in September, 1955, touched off a wave of selling. All told, more than 3.6-million shares were traded during the day, with 862 issues declining and 171 advancing. The Dow Jones industrials average was off 9.04 on the day.

Exhausted brokers explained that the decline touched off some buying orders, particularly by short sellers. In addition, tax sellers took the opportunity to make repurchases. These helped contain the drop.

But brokers made no bones that the drop would have been worse if trading continued. On the Pacific Coast Exchange, for example, which closes two hours after New York, most stocks registered bigger losses.

MORE NEWS ABOUT THE MARKETS ON

- P. 134 The Fed's Lower Discount Rate
- P. 136 Over-the-Counter Market—Where Stocks Drop Fastest

• • •

Bond Prices React to Second Thoughts On Federal Reserve's Easier Money Policy

After the giddy spree touched off by the Fed's cut in discount rates, bond prices this week began to reflect a more sober look. It was not the President's attack that produced the change—merely some second thoughts.

Bond men still believe that easier money is on the way, but they cut prices a bit as the market waited for some signs that the money managers would follow through. In particular, government bond prices, which had scored impressive gains, eased all along the line.

Much of the activity centered around the Treasury's new offering and the Federal National Mortgage Assn.'s announcement that it is coming to the market to borrow $200-million. This is another of Fanny Mae's rescue operations in support of the Treasury.

The Treasury's new offering of 17-year 3⅞% bonds, and five-year 3¾% notes was heavily oversubscribed. Following its announced policy of making preferential allotments to savings-type investors, the Treasury allotted them 26% of their original bond subscriptions, only 10% to other investors.

At first, the Treasury's new issues sold at handsome premiums in when-issued trading—over two points on the bonds, almost a point on the notes. But after the allotments were announced, the issue started selling off somewhat.

Fanny Mae's offering of a seven-and-a-half-year 4⅛% debenture and a 10-month 4.2% note is being made in order to repay the Treasury for earlier borrowings.

Once the Fanny Mae financing is out of the way, the government probably will not be making an offering until sometime in January, when the interest rate pattern should be clearer.

• • •

In the Markets Briefs

Insiders' reports for the third quarter reveal that **executives continued to be net sellers of their own company's stocks,** although at a lower rate than in the second quarter. Net sales were almost 100,000—mainly by executives in aircraft, chemicals, oils, rubber.

The impact of the stock market decline shows up in a SEC survey of **third-quarter corporate financing.** Equity financing at $400-million was below the $750-million chalked up in each of the first two quarters and the $460-million registered in last year's third quarter. Total corporate financing, however, reached $2.7-billion, a new third-quarter peak.

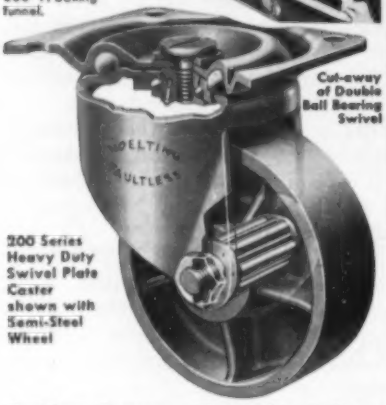
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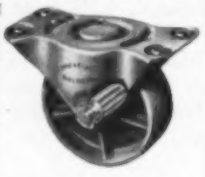
Faultless Casters rolling in U channels carry Plymouth bodies through 330° F. baking tunnel.



Cut-away of Double Ball Bearing Swivel

200 Series Heavy Duty Swivel Plate Caster shown with Semi-Steel Wheel

Faultless Casters at Evansville, Indiana, Chrysler Body Plant help keep Plymouth production at high rate. A constant procession of Faultless Castered Dollies carry Plymouth bodies through more than 500 production steps. During each production cycle Faultless Casters encounter sand and abrasive dusts, roll through dirt-laden water and drying ovens heated above 330°F. At no point can break-downs or delays be tolerated. That's why Faultless Series 200 Casters were specified by Chrysler engineers.



2700 Series Heavy Duty Rigid Plate Companion to the 200 Series Swivel Plate Caster. Cut-away view of Roller Bearing Wheel.

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THE MARKETS PATTERN

What Does the Fed Really Mean?

IN OLDER and coarser times, if a man took an ax to his mother-in-law, people concluded that he didn't like her. It took modern psychiatry to educate us to the fact that in all probability he was really demonstrating an inverted excess of affection.

Similarly, in the pioneer days of monetary management, if the Federal Reserve cut the discount rate, bankers generally assumed that it wanted easier money. But in our more subtle age, the application of psychoanalytic techniques to monetary policy has raised doubts about that, too.

As a result, a heavy shadow of uncertainty still lies over the government securities markets—in spite of the fact that two weeks ago four Federal Reserve Banks made the dramatic gesture of cutting their discount rates by a full ½%—from 3½% to 3%. The uncertainty is reflected in the fact that at midweek the nation's commercial banks had made no move to cut their prime rate—the rate charged their best borrowers.

ORDINARILY, the prime rate moves in tandem with the discount rate. The fact that, this time, the commercial banks have made no move to readjust it means that they are not sure the Fed really means what it appears to be saying. That in turn means that the government securities markets—which took a joyful bounce on the news of the discount rate cut—may have some second thoughts.

Two things make the commercial banks cautious:

• Only four Federal Reserve banks put through the rate cuts two weeks ago. Four more went along the following week; the other four stuck with the 3½% rate. Although the system has had a split rate before, it usually means disagreement within the top councils of the money managers.

• So far, there is no sign that the Fed is going to supply the banks with more reserves through open market operations. If it doesn't mean to take this step, the cut in rate will be largely an empty gesture.

The commercial banks are taking these two warning signs as evidence that there is no need to move in a hurry. They contend that, though the discount rate makes it cheaper to borrow, it does not make credit any more available than it has been all along.

A lower discount rate may be taken as a sign that the banks can increase their borrowings from the Fed. But the money managers traditionally frown on the bank that runs too readily to the discount window or remains chronically in hock to the Fed.

WITH THIS MUCH doubt in their minds, the bankers are in no hurry to bring their own rates down in line with the lower discount rate. Some bankers, in fact, are beginning to argue that the Fed didn't mean to give the signal for lower bank rates at all—that it was thinking primarily of the effect that its move would have on the government securities market. They point out that the action was taken just before a big Treasury financing and that it permitted the Treasury to go to the market with substantially lower interest tags on its new issues.

This use of the discount rate, according to one expert, represents only "a glorified open-mouth operation." The implication is that the Fed is merely signaling that it doesn't want the rates on government securities to go any higher.

If this is the case, the current rise in the price of government securities may be only temporary. It will take time for the real direction of the Fed's policy to become apparent. No matter what its intentions, the Fed will have to supply considerable funds to the nation's banks to accommodate Christmas trade.

The final tipoff may not come until January, which is usually the time when bank loans are paid down and the demand for funds recedes. If the Fed mops up the extra reserves at that time, the shift toward ease will be moderate if not indiscernible. If it permits the banks to keep their extra Christmas money, then it will be saying clearly that easy money is once again the rule.

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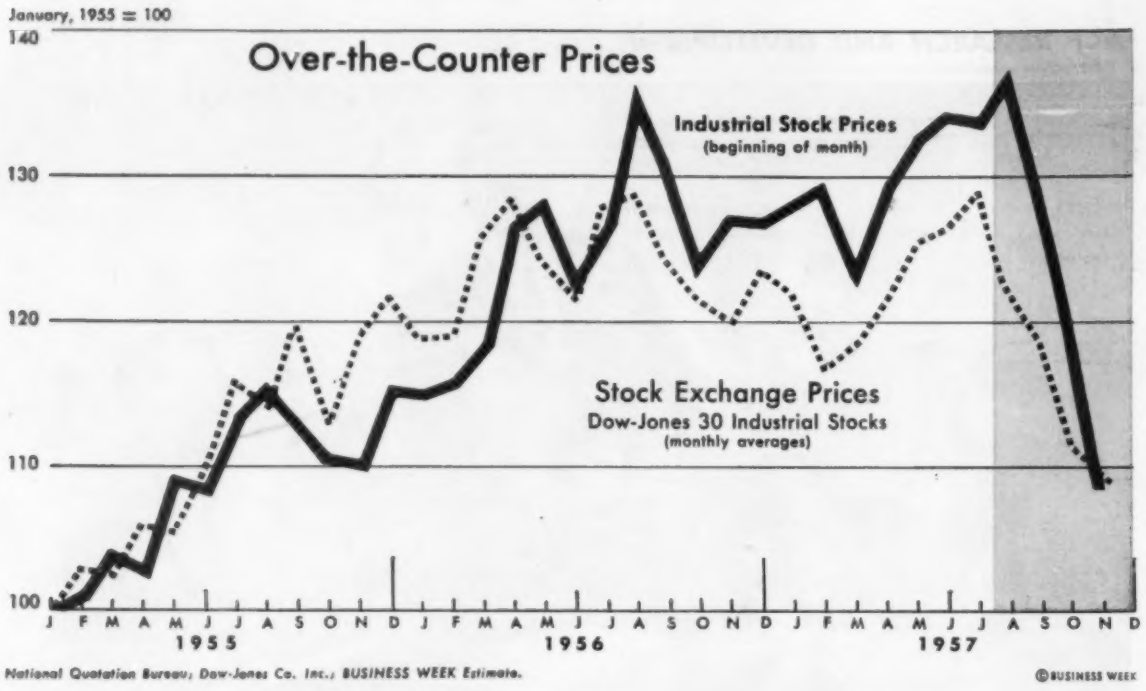
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Data: National Quotation Bureau; Dow-Jones Co. Inc.; BUSINESS WEEK Estimate.

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Where Stocks Drop Fastest

On over-the-counter market, stock prices have plunged faster and farther than on the Big Board—but they came down from higher bull market peaks, too.

The over-the-counter market is not only one of the biggest of stock bazaars, but it can also be one of the most profitable. In New York, the heart of this market as well as the seat of the Big Board, about 3,500 issues are actively traded over-the-counter. There are a good many penny uranium stocks among them, but the great bulk are the shares of well-respected bank, insurance, and manufacturing companies. At the heights of the recently withered bull market, these soared to record peaks.

There's a "sympathetic"—though not completely parallel—relationship between unlisted over-the-counter (or OTC) stocks and those that have stock exchange listings. In the bull market, as you see in the chart above, the "off-board" average climbed above the Dow Jones index.

Once the bear market got under way, OTC stocks have plunged faster and deeper than listed shares. By this week, in fact, many OTC stocks were down 30% to 50% from their highs. And not even the most venerable of them have been invulnerable to the decline. Time, Inc., dropped from 69½ on Apr. 1 to 53 on Nov. 25. In the same period, Empire Trust Co. dipped from 175 to 156, Lone Star Steel from 33⅜ to 24¼.

• **Extremes**—This sharp slide is worrying—but not surprising—to over-the-counter traders. They point out that the sympathetic relationship between OTC and Big Board shares works only one way—the Big Board slump affects offboard shares, but OTC movements have no effect on listed securities.

Over-the-counter highs and lows also tend to be more extreme. Unlike the stock exchange, which is basically a continuous auction market, the OTC market is a "negotiated" one. Much haggling is often necessary to establish a market price.

Stock exchange continuity is preserved by huge volume, and by the operations of the specialist who's willing to risk his own money. As a result, spreads between buy and sell orders are normally narrow. Over-the-counter, this high degree of concentration appears only in certain well-known issues. On these, OTC dealers help provide a market, and the spread between bid and asked prices is also narrow.

On the bulk of OTC stocks—the low-priced shares so fancied by small speculators—there's relatively little activity. Buyers and sellers must often be sought out. In essence, there's actually no market until a sale is made. This makes for a wide gap between bid and asked prices—widened, in part, by stiff competition by broker-dealers who handle the "telephone market." If the gap is too wide, dealers try to "negotiate" the transaction.

In a declining OTC market—where shares drop more by fits and starts than do listed securities—this can give the investor a wicked beating.

• **Pressure and Support**—At midweek, over-the-counter dealers were reporting light activity, most of it on the selling side. Few buyers have come into the market.

Many issues were shored up because broker-dealers hold heavy portfolio inventories—or "positions." Another factor on the support side is that there are no margin accounts to encourage panic selling.

On the down side is the fact financial institutions—which normally account for about 80% of the public's OTC transactions—have been limiting their purchases to the more secure OTC issues—insurance and bank stocks. But even these are being punished. Travelers Insurance Co. slipped from 81 eight months ago to 74¼ early this week, Hartford Fire Insurance from 156½ to 119¼. END



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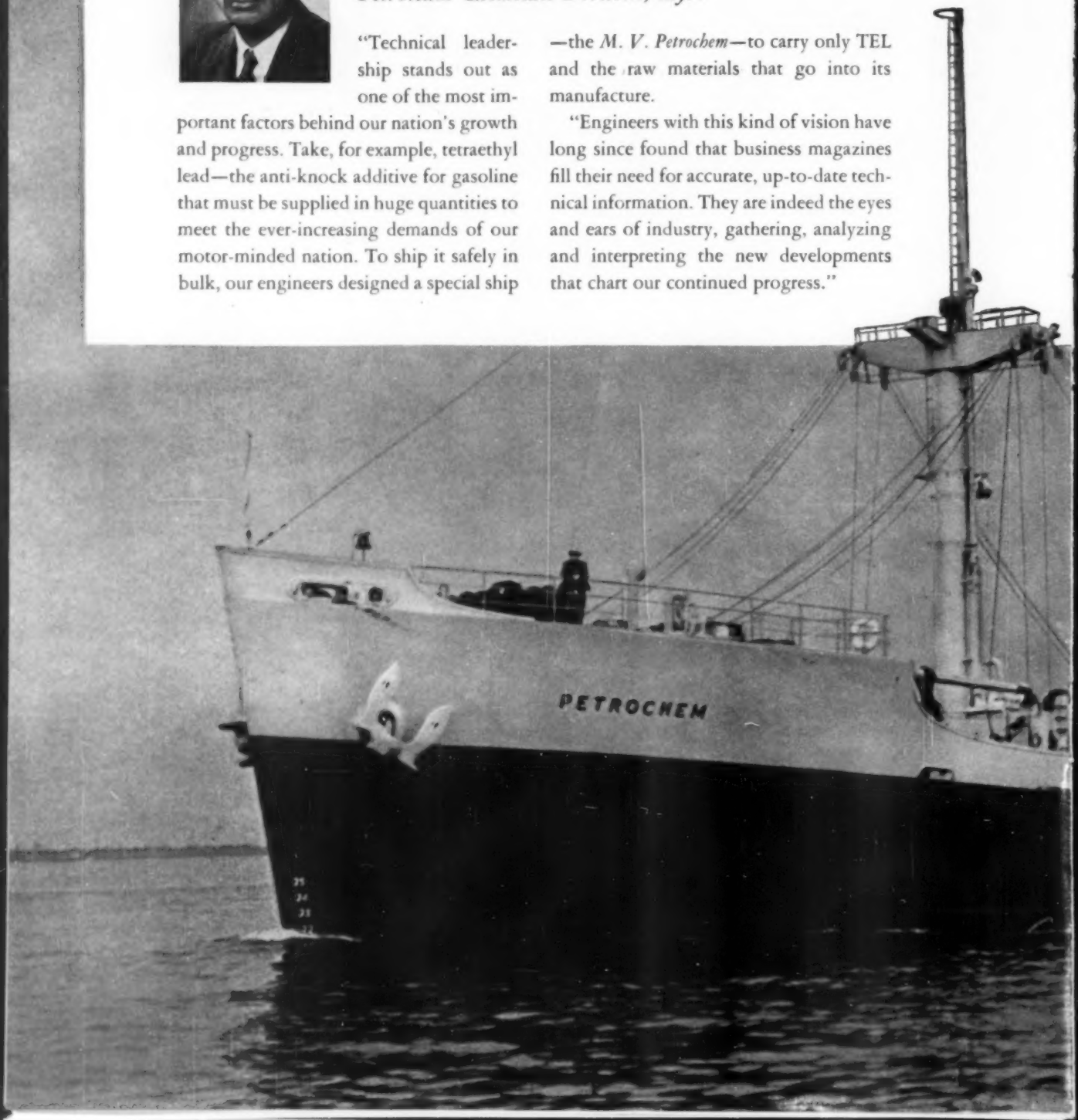
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"Engineers with this kind of vision have long since found that business magazines fill their need for accurate, up-to-date technical information. They are indeed the eyes and ears of industry, gathering, analyzing and interpreting the new developments that chart our continued progress."



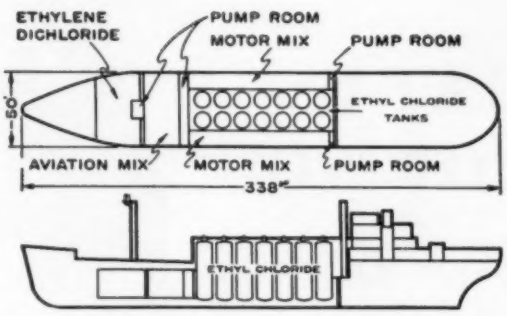
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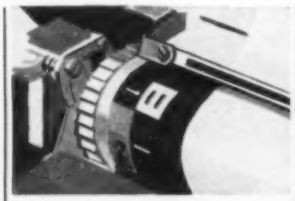
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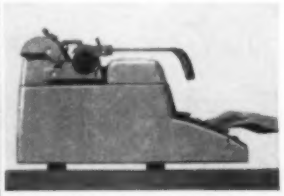
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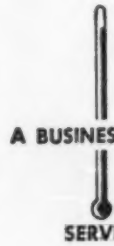
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PERSONAL BUSINESS



The furor over expense accounts: Latest word from the Internal Revenue Service is that taxpayers can forget about the Tax Commissioner's previous order involving detailed accounts for reimbursed business expenses (BW—Nov.16'57,p169). The new requirements supposed to go into effect with the 1957 tax return will be postponed one year. Starting in 1958, you'll have to keep detailed records though—for your tax return due April, 1959.

—•—

Setting up a wine cellar—whether it's an elaborate cave deep in the basement of a country estate or an extra closet in a city apartment—isn't so difficult as you might think. The actual construction, at least, can be fairly simple. Stocking the cellar, however, may take more planning.

In storing wines, you don't need to worry about optimum conditions (dryness, cleanliness, freedom from vibration, and a 55-deg. to 62-deg. temperature)**—unless you're investing in a large stock of wines that require long maturing.** The most important consideration for most cellars is to avoid sudden changes in temperature. (Generally speaking, wines for current drinking should be kept under 70 deg.) Bottles should be kept horizontal, of course, so the corks won't dry out.

You can buy racks, with individual slots for each bottle, that can be expanded with the size of your cellar. **Perhaps a more practical arrangement, if you buy wine by the case, is to have a row of individual bins built for each case.** (If they're built of a lightweight wood—plywood, for example—they can be moved easily.) With each type of wine stored in a separate clearly labeled bin, you can quickly tell when your supply of a certain wine needs replenishing.

An easy rule for storing: Place white wines (the most fragile) in the coolest spot (probably nearest the floor), red Burgundy above them, and the longer-lived red Bordeaux on top.

When it comes to stocking the wine, the classic wine cellar is usually divided into two parts: (1) Wines to "lay down" to mature—that are meant to be served, say, in five or 10 years, and (2) wines that are mature and ready for serving. **In choosing the first, you should rely on the experts.** But for wines for "current serving," your best bet is to buy a number of individual bottles of recommended wines, try them and decide which you prefer—then buy them by the case (or mixed case).

Obviously, the quantity of wine you buy depends upon storage space and how often you serve it. **A good rule of thumb here: one bottle (24 oz.) will usually serve three or four persons, and a half bottle—two.**

In addition to your regular stock of sherry, port, and liqueurs, figure your wine needs this way: If you average one dinner party a week, plus two large parties a month, and serve wine at family meals, you might need 10 to 12 cases a year. Here's an example of the way wine experts Frank Schoonmaker and Sam Aaron would balance a 12-case cellar:

White Burgundy—1 case from either Chablis, Pouilly-Fuisse, or Puigny-Montrachet (estate-bottled). **German white**—1 case from the Rhine or Moselle valleys (estate-bottled). **American white**—1 mixed case of Pinot Blanc and Johannisberg Riesling. **Assorted white**—1 mixed case from the Loire, Graves, Sauternes, and Alsace. **Champagne**—1 case of French, non-vintage "brut" (very dry). **Red Bordeaux**—1 case of a classified growth (a quality classification) from the Medoc (chateau-bottled), and 1 mixed case from St. Emilion, Pomerol, and Graves (chateau-bottled). **Red Burgundy**—1 mixed case from Cole de Nuits and Cote de Beaune (estate-bottled). **Red Rhone**—1 mixed case from Cote Rotie, Hermitage, and Chateauneuf

du Pape (estate-bottled). **American red**—1 mixed case of Cabernet and Pinot Noir. **Assorted red**—1 mixed case from Valpolicella, Beaujolais, and Chianti. **Rose**—1 mixed case of California Grenache and French Tavel.

The cost of stocking such a cellar will run from $350 to $450. Top wines from Burgundy, Bordeaux, and the Rhine will average $3 to $4 per bottle, while the others will cost about $2.50. Good French champagne will run $6 and up.

In selecting vintages, your best bet is to rely on the experts. For Burgundies, Bordeaux, Rhone reds, and top German wines—1949, 1952, 1953, and 1955 are generally considered the best recent years. **To get the fullest selection at the lowest cost, experts recommend that you buy your wine as young as possible.**

For a complete description and some historical background of wines, plus vintage charts and maps of wine districts, there's a new edition for the connoisseur's bookshelf: The Noble Grapes and the Great Wines of France, by Andre L. Simon (McGraw-Hill, $15).

—•—

Whether you already collect stamps, are thinking about starting a collection for a youngster, or simply want to have a little fun yourself, and some profit, too, **you might look over the advantages of saving United Nations stamps.**

Although the first U.N. stamp was issued only six years ago, **these stamps already have become very popular with collectors—and stamp investors—all over the world.** To date, 52 U.N. stamps have been issued.

Their popularity stems from the fact that they are handsome in design, usable (through U.N. post offices) in some 90 U.N.-member countries, and commemorate such activities as the UNESCO, International Labor Organization, and World Health Organization.

You can purchase new U.N. issues at the U.N. Post Office in New York or through the mail by sending a money order or certified check with instructions to the U.N. Postal Administration, New York, N. Y.

The stamps come in denominations mainly of 1¢, 3¢, 5¢, and 8¢, and usually come in sheets of 50. Older issues, not available at the post office, can usually be bought through local stamp dealers.

U.N. stamps have shown remarkable appreciation in recent years. For example, if you had bought a sheet of every U.N. stamp from the first issue, you would have spent close to $100 but would have a collection worth at least $1,000.

The appreciation on the older issues has been so great because they were printed in small quantities (around 1-million stamps per issue). New issues are being printed in 5-million lots, and are not expected to increase in value so fast.

If you want further information, write United Nations Philatelic Information Committee, New York 36, N. Y.

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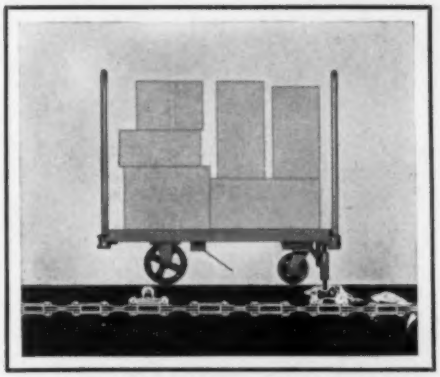
For months, the pros and cons of taking chest X-rays on a community-wide basis have been debated. The question is whether the advantage of early detection of tuberculosis through X-rays isn't outweighed by the disadvantage of possible danger from the radiation. Now the Public Health Service has come up with its recommendation. It suggests that the X-ray method be used on a selective basis only for people who have a "positive" reaction to the TB skin test, and in certain "high risk" cases.

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Cost-cutting "freight-go-round"



IN-THE-FLOOR TRUKVEYOR at this modern railroad terminal prevents congestion . . . reduces physical handling . . . decreases sorting and dispatching time . . . minimizes damage, loss and errors. Trukveyor mechanism is recessed in the floor.



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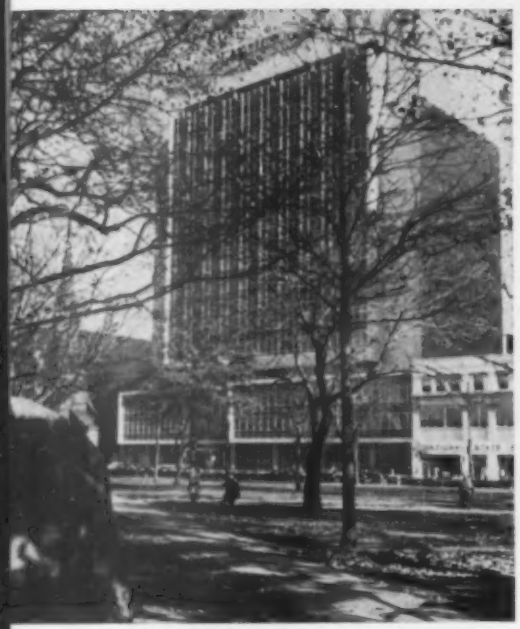
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REGIONS

Newark Halts Its Downhill Skid



MUTUAL BENEFIT'S new home office in downtown Newark triggered a building boom in one of the city's blighted areas.

A revamped city hall and a combine of business and labor leaders are pulling the New Jersey city back to its feet.

A city of 440,000 ought to be a going concern. But if it's located only eight miles from New York City, locked in by suburbs and water, governed badly, bypassed by outsiders and deserted by its own, such a city could find it hard merely to stay alive.

That was the fate Newark, N. J., was heading for until very recently. For years, the city had been tumbling downhill. Inefficient or dishonest government and the decay of its homes sent its residents to the suburbs. Despite its ideal-seeming location near the nation's No. 1 market, plants were driven away, and Manhattan further sapped its vitality as an employer.

Now, however, the decline seems to have been arrested. A newcomer crossing Broad and Market Streets may not detect the new climate, but old-timers are aware that things have been happening:

• Newark replaced its 37-year-old commission form of government with the strong-mayor system headed by a former Teamsters leader.

• One of its big insurance companies, tempted to move to the suburbs, built a new downtown home office instead and triggered a building spree.

• Businessmen are working with labor and city hall to lure new plants and offices and to bring back middle-income families.

• Standard Bearer—All this has taken place in five years, most of it in three. Of the score or so of men behind the changes, much of the credit goes to W. Paul Stillman, chairman of Mutual Benefit Life Insurance Co. and president of the National State Bank.

Stillman helped finance the fight for a new city charter. Stillman swung Mutual Benefit's building committee in favor of a downtown site for a handful of new buildings. And Stillman's call to a dozen leading businessmen provided them with the nucleus for an organization to make their voices heard.

Of all the changes, the biggest was at City Hall. Without a new form of





NEWARK, a dense industrial town, is the third-oldest major city in the U. S. It was settled in 1666, incorporated in 1836.





SEAPORT and nearby airport facilities benefit from $66-million poured in by New York Port Authority to attract plants and warehouses.

COMMUTERS at Lackawanna RR double Newark's population by day, make it nation's most-commuted-to-city.

(Story starts on page 144)



CIVIC-MINDED Economic Development Committee meets. At head of table (left to right): Paul Busse, executive-secretary; Mayor Leo Carlin; and Chmn. H. Bruce Palmer.

government—not just new faces—the rest was unlikely.

I. New Look at City Hall

For almost 100 years, Newark had been hamstrung by inefficient governments. Up until 1917, the city had been governed under the "weak mayor" system that scatters executive power within the city government.

In 1917, the city adopted the commission form of government, a political innovation of the time that was heralded as a cure for the evils of the weak-mayor city governments.

Under the commission form, five men were elected at large to be commissioners. They divided city departments among themselves, chose one of their number as mayor.

• **Weaknesses**—Inherently, the system was weak. Since each commissioner had both legislative and administrative powers, there were no checks and balances. Each handled his own budget, policies, and personnel, but none took a citywide view. The result was five governments, five political machines.

In addition, the system was honeycombed with grafters. They held out for payoffs in assessing real and personal property. They ignored building code regulations, for a price. City employees had to pay to get jobs. Over the years, there were presentments and indictments, but prosecutors usually ran into hung juries or bribed jurors.

• **Turning Point**—Efforts to reform Newark's government petered out until in 1950 the legislature provided a mechanism to do the trick. It enacted an optional municipal charter law recommended by a study commission. The law provides a choice of mayor-council and council-manager systems.

The ball was picked up in December, 1952. Joel Jacobsen, executive secretary of the Essex-West Hudson CIO (now executive vice-president of the state CIO), and George S. Pfaus, state chairman of the Americans for Democratic Action (now State Deputy Commissioner of Labor & Industry) got to talking about the next May election.

CIO was unhappy with the city government, particularly with one of its own men who was then a commissioner. It was looking for a way to withdraw support from the government—and the commissioner—by focusing on a big issue. ADA, defeated in the November Presidential election, hoped to pick up its pieces in local politics.

Over coffee, Jacobsen and Pfaus decided to propose a new form of government for the city.

Lloyd Felmly, editor of the influential Newark Evening News, promised to back them, and suggested they sound



SLUMS are slated to be replaced by modern dwellings. The biggest need is for housing for the middle-income group.

BLIGHTED AREA near Penn Station will give way to Newark Plaza, with new office buildings, modern shops, and a hotel.



How much do your employees' worries affect their work?



YOU KNOW how hard it is for *you* to concentrate when you are worrying about something. Well, *their* work is bound to be affected when your *employees* worry, so often about the very needs your group insurance is designed to provide against. That's why B. E. U. is vital.

B. E. U. is short for Better Employee Understanding. Workers *must* understand their group benefits if they're to value and appreciate them. Developed through research and study by Connecticut General, B. E. U. helps workers feel more secure and work better, too.

YOU ALSO BENEFIT from their better understanding. Ask your insurance man about B. E. U., an exclusive service of Connecticut General Life Insurance Company, Hartford 15.

Carson Pirie Scott & Company, Casco Products Corporation and Dunlop Tire & Rubber Corporation all have individually developed plans of Connecticut General group insurance. Take a few profitable minutes to find out about B. E. U.

CONNECTICUT GENERAL

GROUP INSURANCE
PENSION PLANS
HEALTH
ACCIDENT
LIFE

(Story starts on page 144)

out Stillman and Frederick H. Groel, vice-president of Prudential Insurance Co., Newark's largest employer (about 9,000). Both promised support, and Stillman asked Pfaus and Jacobsen to talk with Henry W. Connor, director of the Bureau of Municipal Research.

• **Reform Movement**—The result of the conference was a revival of the Newark Citizens Committee on Municipal Government, representing business, labor, women, minority groups.

In February, 1953, the City Commission rejected the committee's request to hold a referendum to elect a charter commission. The other alternative was petitions. Backed by heavy publicity in the news and volunteers' legwork, the committee in a couple of days had 7,500 more signatures than it needed. The fast work was necessary to put the question on the ballot at the regular May election.

The committee nominated five for the charter commission, with Alan V. Lowenstein, a lawyer and president of the Welfare Federation of Newark, as chairman.

The commission was voted and in September it proposed the mayor-council plan with a business administrator as the mayor's chief-of-staff.

• **On the Ballot**—The charter commission's proposal, representing compromises between AFL, CIO, and business, went on the ballot in November.

The opposition raised an estimated $150,000 to fight the charter. Advocates raised only about $12,000—most of it through Stillman's plugging. But, despite handicaps, the charter carried by a 2-to-1 margin. An election to choose the mayor and nine councilmen was set for May. However, in the process of selecting candidates, business and labor lost some of their cohesion and as a result only a minority of their candidates was elected.

II. Newark's Strong Mayor

The strong mayor elected was Leo P. Carlin, former Teamsters local president.

Carlin had served one four-year term as commissioner and stood for reelection in May, 1953—the same time the charter commission was voted on.

Early in the game, Carlin stacked his chips on the charter movement. He took the chance that he would lose office briefly after being reelected and have to stand again the next May.

Carlin not only was reelected commissioner in May, 1953, but his fellow commissioners also elected him mayor. Since he was the only commissioner to stick with the charter crowd, he easily won their endorsement for mayor. And the people elected him.

Carlin had been in state and local politics for 20 years. As mayor, he hasn't been the fighting liberal or reformer that some friends hoped for, but within limits of civil service he has cleaned up city hall.

Carlin takes pride in businesslike methods—a central budget, particularly. He intends to let city employment drop by not replacing people who quit or retire, but notes that payroll savings are being offset by extension of the 40-hour week. "I know you can't run 10 trucks and make money if you only need eight," he says.

He agrees with both labor and business that the new climate of Newark should bring business there, be good for everybody. And, he says, "I want businessmen to be selfish about their investments. A town has to prosper for you to prosper."

• **Backer**—Carlin's opponents criticize him for being a turncoat or never having been a labor man, for hobnobbing with businessmen. Even his strongest supporters find some weaknesses in him. "His trouble is political; he surrounds himself with Irish, and the Italians resent him," says one. "He's distrustful of intellect, doesn't want people around him with brains," says another. A third notes that Carlin's relations with Trenton might be even smoother if he had given the Meyner regime more credit for school aid.

Even so, business and labor leaders agree to back him when he runs for reelection next May.

III. Cash on the Line

There is plenty of evidence that Newark is regaining its faith in itself, but the strongest proof shows up in the fact that business is putting cash on the line.

The first demonstration came a few months after the 1954 election, when Mutual Benefit announced it would stay, and build, in Newark.

In Newark since its founding in 1945, Mutual Benefit had occupied a building a mile and a half north of downtown, in a residential neighborhood that had become blighted.

• **Self-Protection**—After banker Stillman became chairman in 1946 and younger elements took over, Stillman decided to move to a new site. Other Jersey cities began to court Mutual Benefit, causing alarm in Newark. The company finally decided on a site on the fringe of downtown Newark. In helping Newark, Mutual Benefit was helping itself.

At its old location, management had little contact with the outside world. The company also relies on the annual crop of Newark high school graduates for low-skilled labor. And taxes in a mature city like Newark are more stable than in a mushrooming suburb. Also, in its chosen 4½-acre area across from Washington Park, the company could build a whole development—at a profit—because, says Stillman, "we weren't going again to find ourselves in a deteriorating area."

To protect the value of its 20-story, 485,000-sq.-ft. home office structure, Mutual Benefit built an adjacent 6-story building (leased to the Hospital Service Plan of New Jersey), leased another site to an architect-contractor-realtor corporation for a building it will finance, and is building a 3-deck garage for 1,000 cars. Recently, Stillman announced that the company would eventually develop two other nearby properties.

• **On the Bandwagon**—Mutual Benefit's move was bound to set off others. The most obvious prospect for a new building, the Prudential, announced late in 1955 that it, too, would build a new development—a 24-story, 767,000-sq.-ft. with two 7-story wings, and a 213,000-sq.-ft. building for its bank, the Fidelity Union Trust Co.

Pru had been committed to stay in Newark if a state law were changed—as it was—so that its total surplus no longer would be taxed as personal property at Newark's high rates.

IV. Boosters Organize

The city was enthusiastic over the news of Mutual and Prudential, but obviously needed more in the way of investment. Expenditures on the seaport and airport, a new YMCA-YWCA, public and private hospitals, schools, and a few new chemical plants helped—but they, too, were insufficient.

What was needed was a community-wide program to attract new plants and encourage new building.

As a starter, a two-headed organization was conceived: The Greater Newark Development Council and the Newark Economic Development Committee.

It's hard to say just how the idea started. After Mayor Carlin's election, Connor of the Bureau of Municipal Research and Kenneth S. Carberry, executive vice-president of the Chamber of Commerce, talked to him about appointing some kind of business committee. Since labor representation was required and the chamber often opposes labor, it would have to be set up outside the chamber.

About the same time, Stillman called a group of 14 businessmen to announce his decision to stay in Newark, and advocated an organization.

• **Council's Job**—The idea went over, both with the mayor and with the businessmen, and the council and committee were created. The council was composed of senior businessmen who raised a budget of $65,000 to finance its

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work as well as the committee's. The council was to suggest policy and be independent of city hall. The committee, ostensibly, appointed by the mayor, was to be mostly younger executives. In fact, the council suggested business members to the mayor and he himself picked the two from labor.

As president of the 18-man council, the group elected Robert G. Cowan, president of National Newark & Essex Banking Co.—a natural choice to Newarkers since he heads the third bank. Pres. H. Bruce Palmer of Mutual Benefit, known as a hard salesman, was made committee chairman.

• **Pattern Setter**—This organization is being watched closely by other cities that have been tinkering with the idea of organizing businessmen more effectively. The problem seems to be the same: Business has lost its political voice in the city because its leaders move to the suburbs but leave their investment behind, vulnerable to a city hall dominated by labor and minorities.

• **Full-Time Staff**—One thing that makes Newark's organization work is the fact that it has a full-time staff. The council meets quarterly, but in between they work on the project. For example, Carrol Shanks, president of Prudential, sends his regional vice-presidents literature about Newark to give his clients.

When some gentle headknocking is required—seeing that diverse objectives of, say, the New York Port Authority and the Pennsylvania RR don't stymie new industry—the council is influential enough to make a point. Or when the committee's hands are tied because it's the "mayor's committee," the council is able to lend a hand.

• **The Workhorse**—The Economic Development Committee, however, is the real workhorse of Newark's revival.

It can call not only on its own 18 members but also on subordinates from Newark companies, or from the mayor's own staff. A list of subcommittees shows the committee's scope:

Financing of enterprises: Helps enlist local lending institutions when financial help is needed.

Highways and freeways: Works for a loop around the business district.

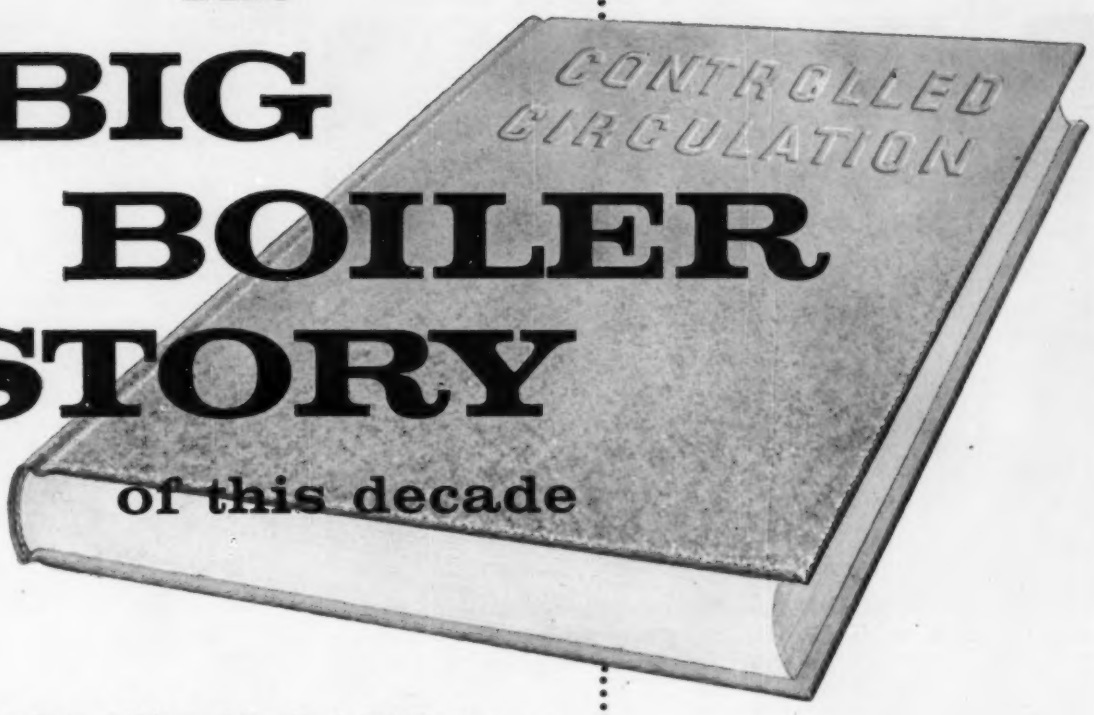
Parking: Practically voted itself out of existence when it proposed a parking authority. Now set up, the authority is deciding whether to give first priority to multi-deck garages or one under Military Park. It's also able to issue revenue bonds, and is working on state legislation to get full faith backing of city's credit.

Sites: Encouraged inclusion of a light manufacturing district under federal urban renewal aid.

Taxation: Recommended the current study of assessments.

Newark Plaza: Working to permit

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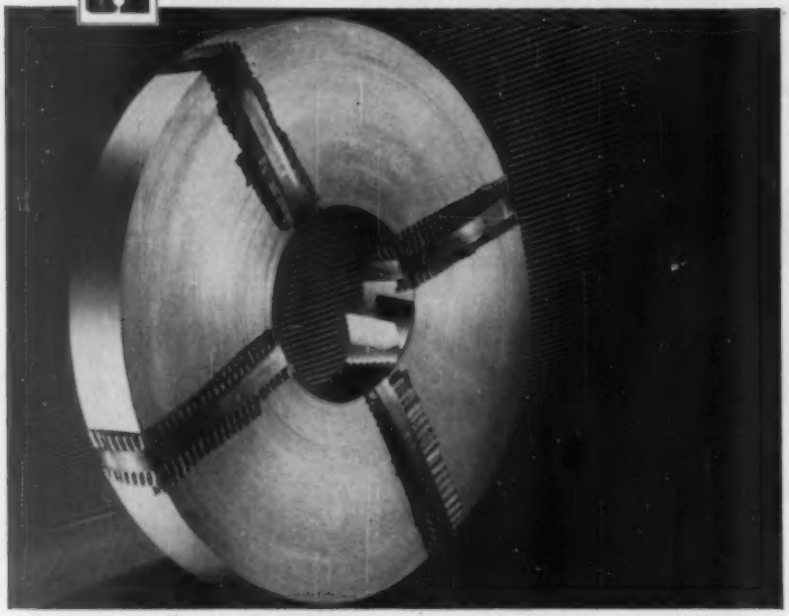
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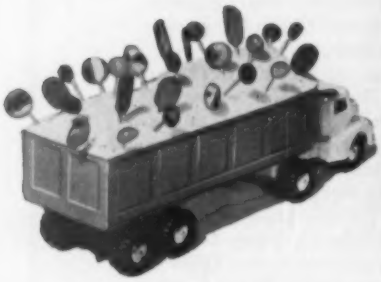


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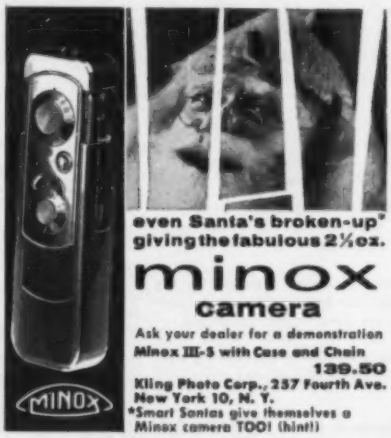
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government to assemble a blighted area for new commercial uses.

Transportation: Watches proposals for interstate and intrastate commuters.

V. Pressing Problems

Newark should be an attractive place for industry. Its labor supply is good, and its taxes are stable. It is situated near the country's largest market, astride five railroad trunk lines and major highways, along an airport and seaport into which the New York Port Authority has $66-million.

But Newark's land is all developed, with the exception of the Jersey Meadows (BW—Mar.10'56,p120)—a costly but no longer prohibitive area to drain. Newark hopes to demolish old plant under the federal urban renewal program. One area has been designated for this purpose, but it must still clear the city council, then Washington.

Equally important is the provision of sites for buildings. Federal urban renewal aid goes only to a project that starts with housing or ends.

• **Cures**—To achieve its aims, the committee must do one of two things: Change the federal law to allow aid for a city's redeveloping blighted commercial property for commercial use, or change the state law that restricts New Jersey cities to redevelop property only when it qualifies for federal aid.

Some office space has been put up in Newark, but more is needed. Mortgage money is available, but Prudential's Shanks says, "We can only lend where people are willing to borrow."

• **Housing Needs**—The Economic Development Committee also is watching the housing picture, but its only position is on middle-income housing. It wants some.

The hope is that middle-income housing would allow downtown workers to live nearer the office, bring the city's population into better balance, and stimulate downtown stores that, suffering from competition of both New York and suburbs, are reluctant to make capital investments.

An influx of Negroes from the South—pushing the ratio of Negro population from 17% in 1950 to 25%—has been jammed into substandard dwellings. Some are being cared for in Newark's public housing program, which built the majority of residential units since the war, but others earn more than public housing permits.

A new housing code is designed to reduce overcrowding and raise the standard of living. In the better class Clinton Hill neighborhood, a community and city program of renovation and public improvements is to save homes on the brink of decay, integrate peacefully the outward-pushing Negroes with the old resident white families. **END**



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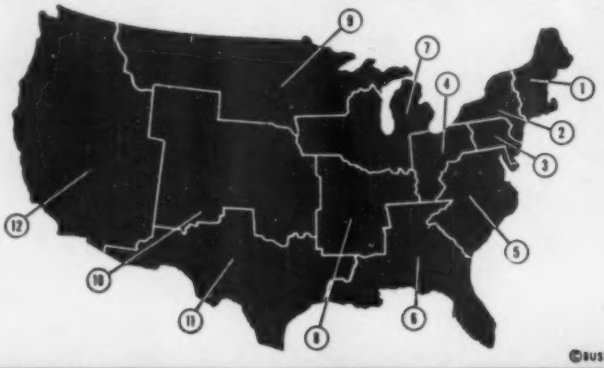
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The Income Pattern:
Business Week's Regional Income Indexes

U. S. Incomes: Up 4.7% From Last Year



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Federal Reserve District	% Change vs. year ago	The Indexes Sept. 1957	Aug. 1957	Sept. 1956
1. Boston	+ 2.3%	285.6	283.4	279.1
2. New York	+ 6.1%	316.3	313.4	298.0
3. Philadelphia	+ 4.3%	304.0	303.0	291.6
4. Cleveland	+ 2.9%	355.5	353.6	345.6
5. Richmond	+ 5.4%	383.1	383.2	363.4
6. Atlanta	+ 5.6%	471.8	479.3	446.6
7. Chicago	+ 5.1%	361.3	363.4	343.8
8. St. Louis	+ 3.1%	337.9	338.7	327.6
9. Minneapolis	+ 7.6%	372.0	370.8	345.7
10. Kansas City	+ 7.0%	424.7	425.1	397.0
11. Dallas	+ 7.6%	516.7	529.7	480.1
12. San Francisco	+ 2.1%	403.6	402.0	395.2
Nation	+ 4.7%	364.2	364.5	347.7

1941 = 100; adjusted for seasonal, Sept. figures preliminary; Aug. revised.

The Gain Shrinks Again

U.S. incomes in September, 1957, moved 4.7% above a year ago—the smallest year-to-year gain in 2¼ years—according to BUSINESS WEEK's Composite of Regional Income Indexes. As in August, San Francisco showed the smallest September-to-September gain of any region. Dallas and Minneapolis tied for top place.

From August to September, incomes suffered the first month-to-month decline since July, 1956, the time of the steel strike. Although the decline was only 0.1%, national figures now available for October show the shrinkage of income is continuing. September incomes in six regions dropped below their August levels; all but three regions—New York, Cleveland, and Minneapolis—had backed away from their peaks by September.

Nationally, employment remained high in September, and factory earnings reached a peak for the year. Manufacturing payrolls were up slightly from August to September, but were below a year ago.

Shrinkage of September incomes was reflected in the 1.5% decline in department store sales from a year ago. St. Louis, Kansas City, Dallas, and San Francisco were the only regions to show year-to-year gains on September's seasonally adjusted indexes of department store sales. Sales in the Boston district dropped 11.2%. Other large declines were 4.2% in New York, 5.2% in Philadelphia, and 6.2% in Minneapolis. For the first nine months Boston was the only region to show a year-to-year decline. In St. Louis and Kansas City sales were unchanged. END



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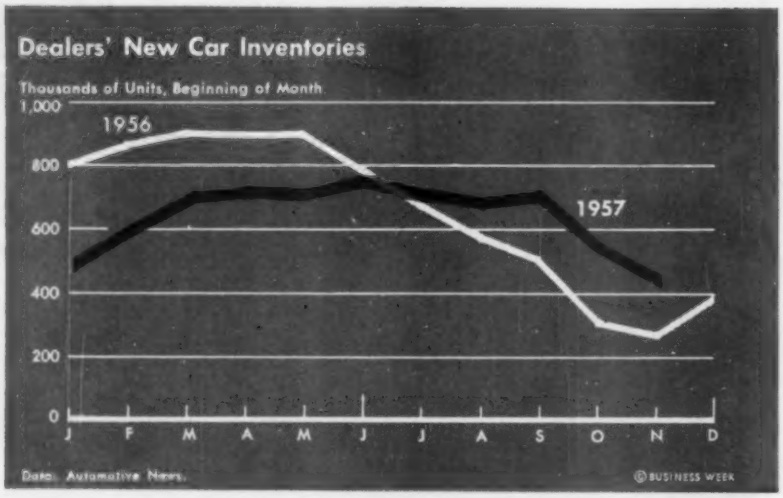
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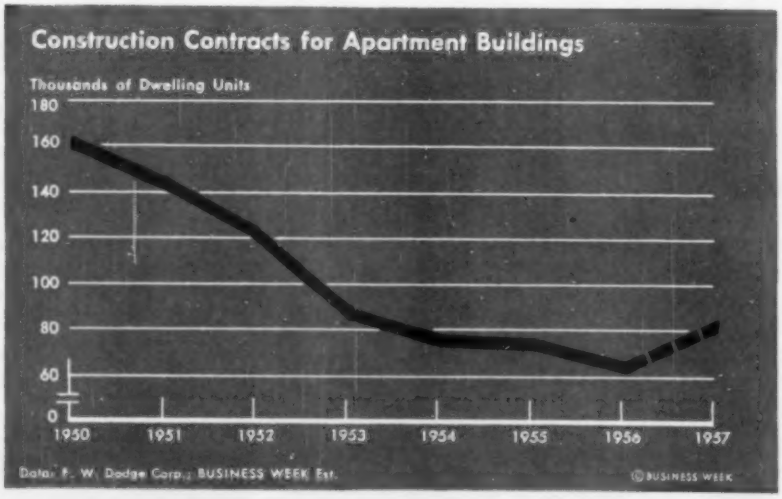


Car Dealers Reduce Stocks

New car inventories in dealers' showrooms and in transit to the dealers dropped to 463,978 units on Nov. 1 from 572,634 a month earlier. On Nov. 1, 1956, dealers had 277,975 cars.

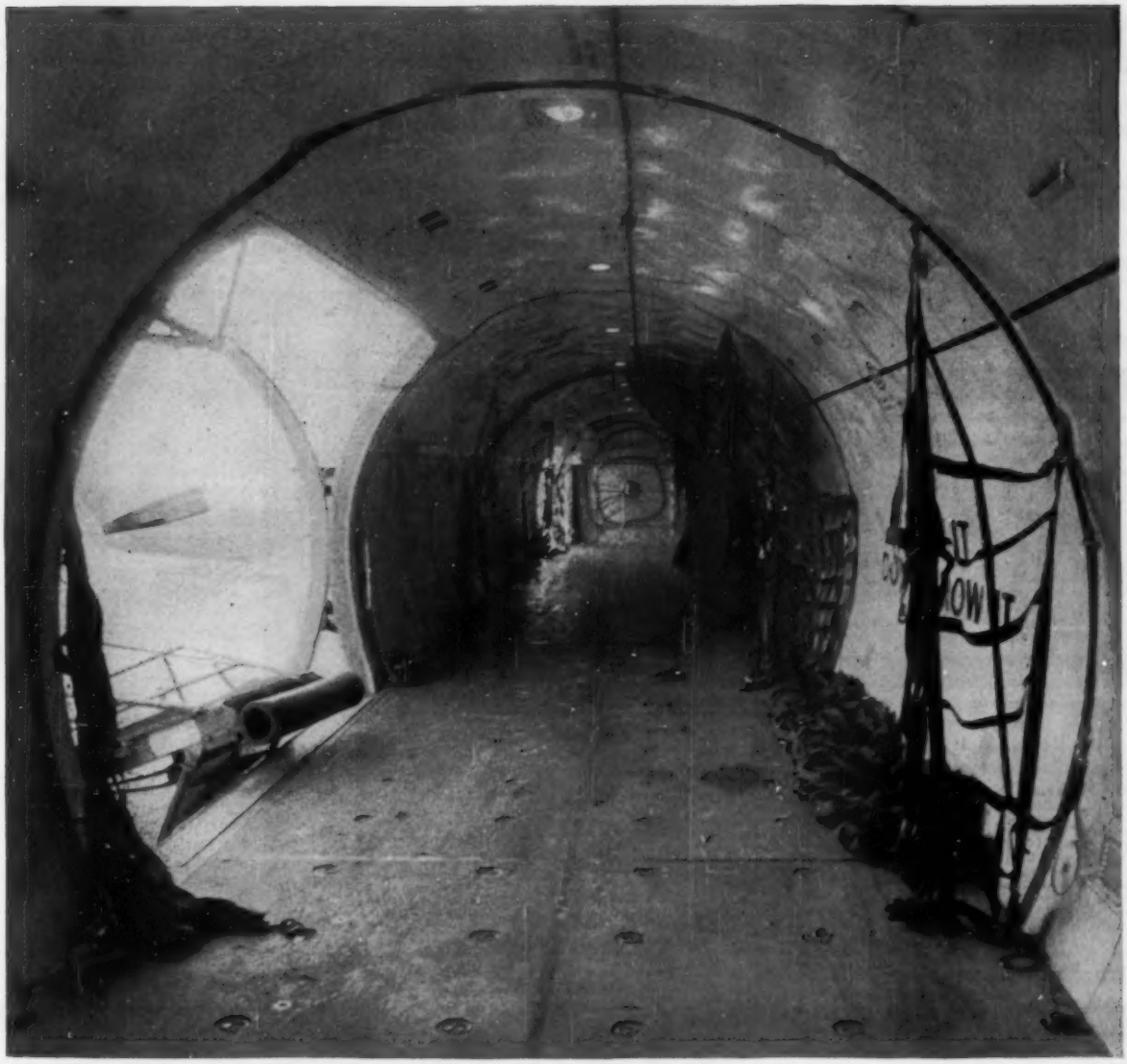
About 200,000 units of this year's Nov. 1 stock were the remnant of 1957 models, according to Automotive News. (Ward's Automotive Reports recently placed the number of old models at around 240,000 units compared with 90,000 a year ago. A considerable variation between the two sets of figures is not unusual or surprising since estimates of field stock can hardly be expected to do more than indicate trends.)

Though dealers' inventories are slightly higher than the year-ago level, this should not obscure the fact that the 1957 model cleanup was successful (BW–Nov.16'57,p45). Sept. 1 inventories of 729,536 units were close to the year's peak.



Apartment Building Gains

Construction contracts for apartment buildings in the 37 states east of the Rockies this year probably will reach the highest point since 1953, despite the decline in the total number of dwelling units started. Figures pub-



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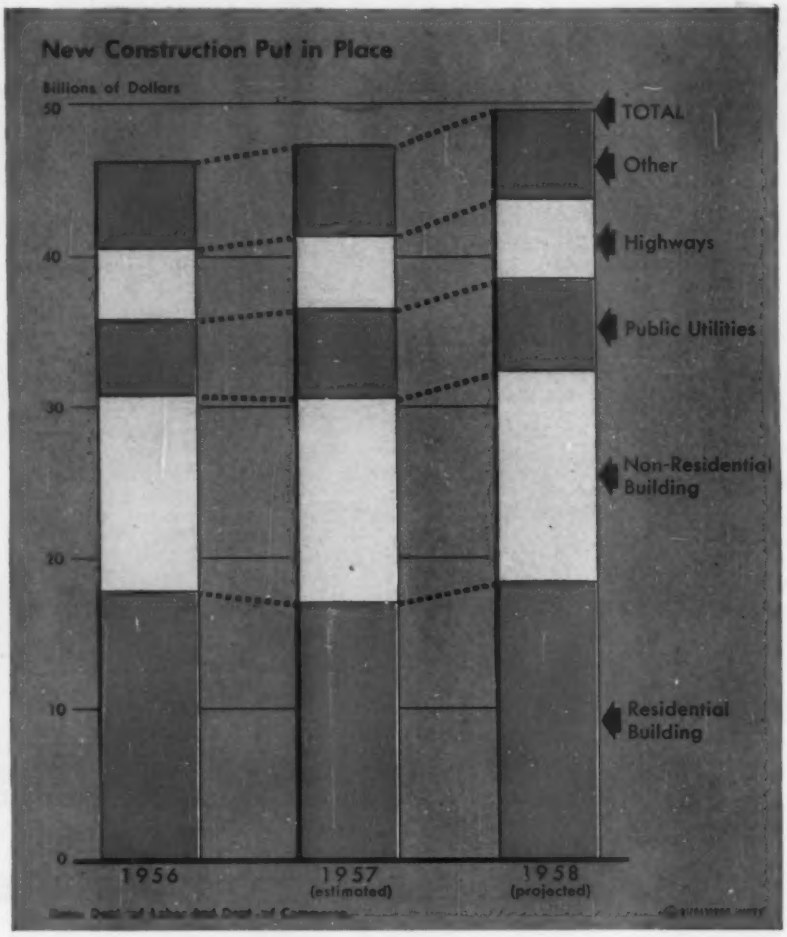
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lished by F. W. Dodge Corp. indicate that construction contracts for apartment buildings in the 37 states in the first nine months of 1957 were up 28% from a year ago. For the U.S. the rise is 39%. (Figures for the 48 states are not available prior to 1956.)

Commerce Dept.'s Construction Outlook expects the number of apartments in 1958 to show a better percentage gain than single family houses. Apartment units are likely to account for almost one-fifth of the total housing starts—the largest proportion since 1949, when apartment house building was given a boost by easy credit. The rise is attributed to expanding programs for rebuilding urban centers; greater returns on rental investments; and a large demand for convenient, central-city locations from young couples without children and from the elderly—the fastest growing adult segments of the population.



Construction Rise Forecast

New construction expenditures are expected to hit $49.6-billion in 1958, topping by 5% the record $47.2-billion shaping up for 1957. This forecast is made by the Labor and Commerce Depts. The gain is expected to show up principally in residential building and highway construction. The anticipated 6% increase in private spending for residential non-farm buildings is a reversal of the 1956-57 downtrend. No increase is expected in private non-residential building construction for the first time in six years. Public utilities, which had been the strongest single sector of non-residential private construction in 1957, will show a 6% advance in spending in 1958, according to the forecast.

Most of the $1-billion rise in public construction work will be accounted for by state and local projects, though 60% of this will be for the federally aided interstate highway program. Schools will account for one-fifth of all public expenditures for new construction. Sewer and waterworks construction is expected to decline.

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Sizing Up Our Monetary System

The nonpartisan Committee for Economic Development has announced that it is sponsoring—under an initial grant of $500,000 from the Ford Foundation—an objective and independent study of our monetary system.

This is the kind of study that Pres. Eisenhower, among others, had proposed. There is an appalling lack of solid information about our monetary and financial system and how it works. This has been particularly evident in the past 10 years, in which great changes have been made in our financial institutions.

Thus, the CED deserves a vote of thanks for taking up a project that Congress had buried in its last session. But though we wish it well, the study can only succeed if it is independent, objective, and far-reaching.

In order to insure objectivity and independence, the CED has set up an independent selection committee of distinguished educators and economists. This group has the job of choosing the members of the monetary commission from the broadest possible cross-section of national interests.

On the surface, it seems a good idea for the monetary commission to have representatives of labor, agriculture, business, and finance, for the strength of our monetary institutions is of interest to the nation as a whole.

But precisely because this study is of fundamental importance, the selection committee must choose the wisest and most distinguished citizens it can find—from whatever fields—to conduct the study. Instead of picking on representatives of special interests, which might result in chaos, the selectors should make it their business to appoint a group of independent and uncommitted thinkers.

BUSINESS WEEK has long supported the idea of a monetary investigation. But we have maintained that freedom from pressure groups is essential for any worthwhile study. For, in the last analysis, the reception that the study finally gets depends on the way it was carried out. We hope that the CED can live up to its goal of an independent and objective study.

Wavering Support

The Administration's liberal trade program is heading for real trouble in the upcoming session of Congress. It may prove difficult for Pres. Eisenhower to get Congress just to maintain the present degree of trade liberalization, without taking any further steps.

Under these circumstances it was discouraging to find the National Foreign Trade Council pussyfooting on the trade question at the annual convention it has just held in New York. The NFTC made its reputation, after all, by advocating freer trade for this country. When Cordell Hull was Secretary of State, he could count on the NFTC to beat the drums regularly for his Reciprocal Trade Agreements Program.

This year the National Foreign Trade Council showed hardly a trace of the old enthusiasm for liberalized trade. That was so even after C. Douglas Dillon, Deputy Under Secretary of State for Economic Affairs, did his best to rouse support for the Administration's program, which this year includes a five-year extension of the Reciprocal Trade Act, plus U. S. membership in the proposed Organization for Trade Cooperation.

When it came to writing the convention's final declaration, the NFTC drafting committee refused to back a five-year extension of RTA, and it did not even refer to OTC in the declaration. Although a case was made for OTC within the drafting committee, the question was said to be "too controversial" for serious consideration by the NFTC.

It is not hard to understand why some members of the National Foreign Trade Council resent the way other countries have failed to respond to the very extensive liberalization of U. S. tariffs that has been achieved in the past few years. But, for our money, organizations like the NFTC belong squarely behind the Administration's liberal trade program, if only to help prevent any retreat from what this country has achieved in the field of trade policy.

Shooting From the Hip

The Internal Revenue Service after much huffing and puffing about its plans for tightening up on the reporting of expense account income on the 1957 income tax form, now seems to have come up with the sensible solution—postpone the new regulations until next year (page 141).

No one can object if IRS wants to crack down on the big swindle-sheet operators—or even if it wants to apply the letter of the law to all taxpayers.

However, it's plain the IRS made its series of earlier announcements without enough thought, planning, or advance notice to taxpayers, many of whom would have had to rack their memories and record books trying to find the specific information the new directive required.

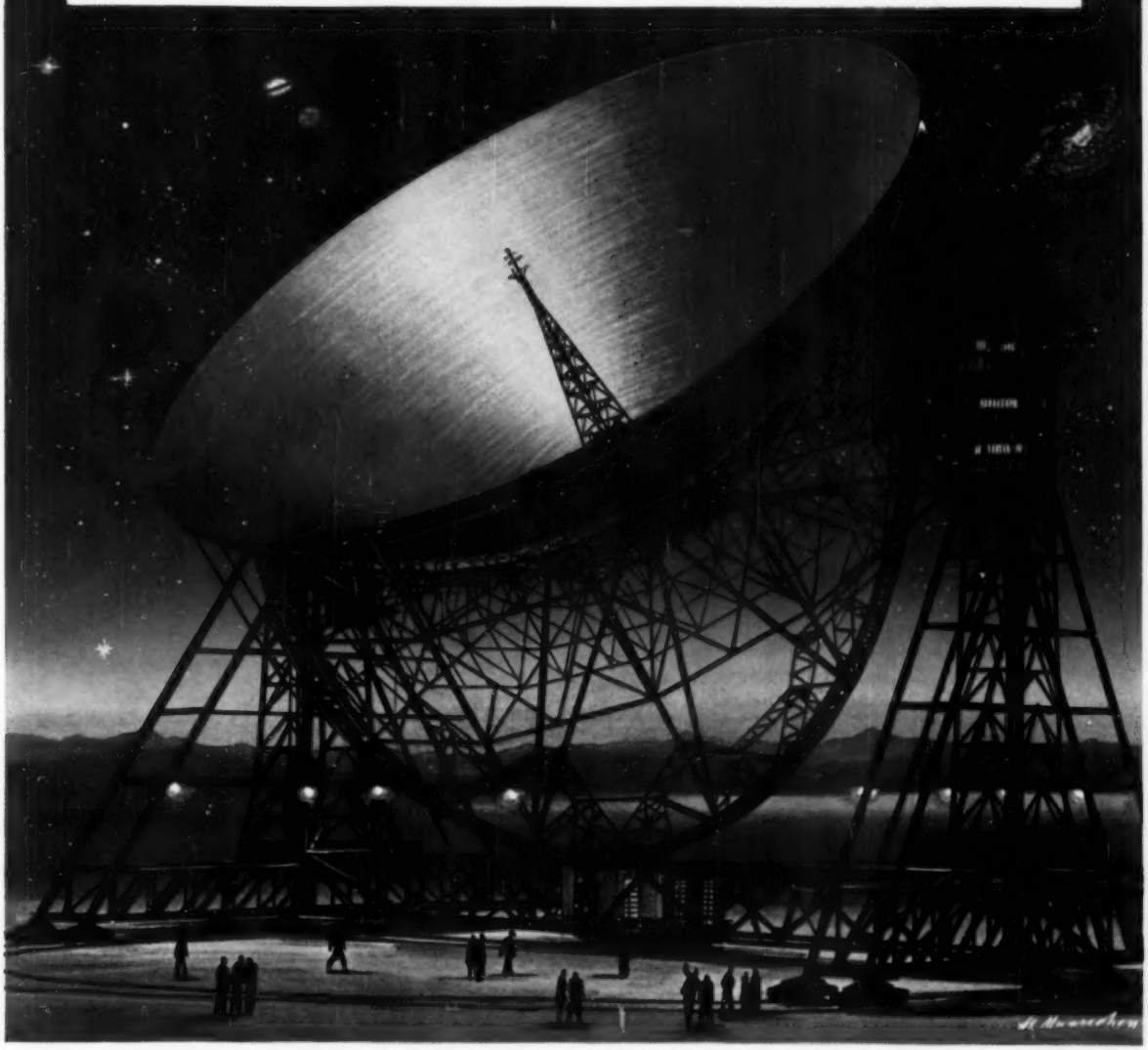
By deferring the new requirements to the 1958 tax year the IRS should have time to make sure that it knows what it wants to do and that the taxpayer knows what it wants him to do.

"EAR" to the Universe!

On the plains of Cheshire, England, stands an awesome structure . . . the world's largest Radio Telescope. With this electronic "ear" scientists will be able to listen to radio waves from sources over one billion light years away . . . probe to the very edge of the universe.

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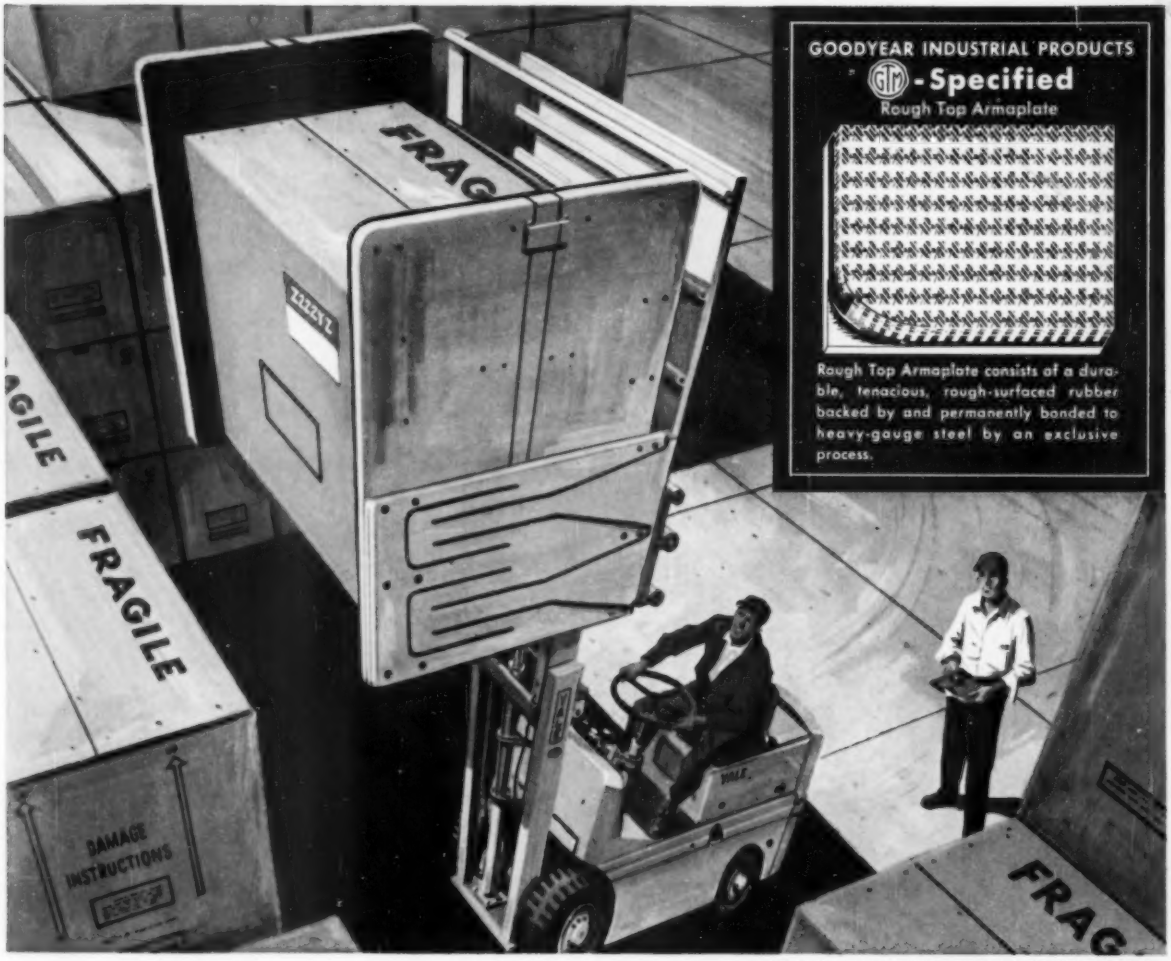


Illustration courtesy of Yale & Towne Mfg. Co., Philadelphia, Pa.

It took the "gripe" out of gripping

How to greaten the grip of the clamps on lift trucks was a problem to the engineers of a leading manufacturer. Smooth steel just couldn't heft smooth, heavy cartons, drums or rolls—without slipping, sliding and too frequent damage.

Their first attempt at solving the problem was to face the clamps with smooth, sheet rubber. But both the grip and the rubber-to-metal bond were insufficient. Then they tried bolting on sections of rough-surfaced package conveyor belting. These gave adequate grip, but the bolts pulled through the belting.

The ultimate answer came from the G.T.M.—Goodyear Technical Man—in the form of a then brand-new product —Rough Top Armaplate. This permanently wedded combination of rough-surfaced rubber and sturdy steel proved ideal—was easily and lastingly fastened to the clamps—gripped the heaviest objects without a slip—and has been doing so for close to two years without one complaint from the field.

A special product, such as Rough Top Armaplate, is just one of the many forms of industrial rubber with which the G.T.M. can solve your production or maintenance problems. Why not benefit from his advice soon? He's readily available through your Goodyear Distributor or Goodyear, Industrial Products Division, Akron 16, Ohio.

IT'S SMART TO DO BUSINESS *with your Goodyear Distributor. He can give you fast, dependable service on Hose, V-Belts, Flat Belts and many other industrial rubber and nonrubber supplies. Look for him in the Yellow Pages under "Rubber Goods" or "Rubber Products."*

Armaplate—T. M. The Goodyear Tire & Rubber Company, Akron, Ohio

GOODYEAR

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